HEALTHCARE REALTY TRUST

1995

ANNUAL REPORT

Healthcare Realty Trust, listed on the New York Stock Exchange (HR), is an equity real estate investment trust (REIT) which has invested approximately $333,000,000 in income-producing healthcare real estate since its formation in June 1993. Healthcare Realty Trust provides responsive real estate solutions to the healthcare industry through property management, leasing and development services, construction capital and the acquisition of existing healthcare properties.

CORPORATE HIGHLIGHTS

NOTICE OF ANNUAL MEETING

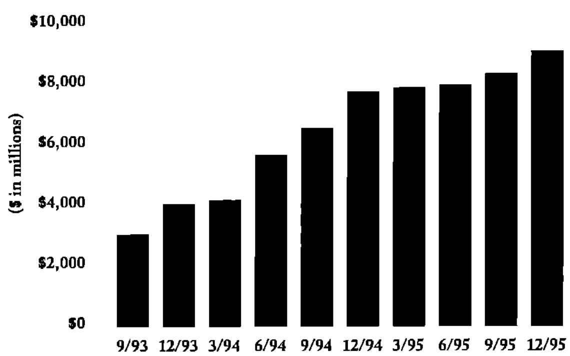
The annual meeting of shareholders will be held on May 14, 1996, at 10:00 a.m. at the Cumberland Club, 511 Union Street, Nashville, Tennessee.

SELECTED FINANCIAL HIGHLIGHTS

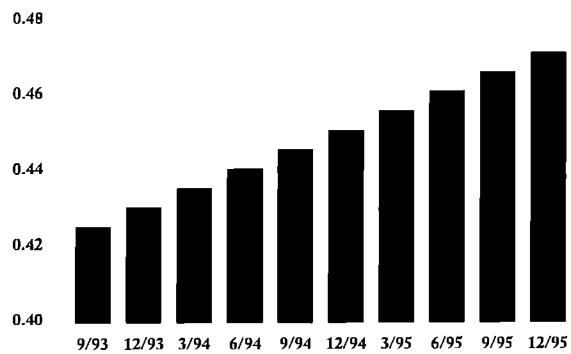
	Year Ended December 31, 1995	1994	1993*
Revenues:			
Rental income	**$ 32,402,507**	$ 23,231,345	$ 7,066,606
Management fees	**465,766**	–	–
Interest income	**492,888**	995,078	68,398
	$ 33,361,161	$ 24,226,423	$ 7,135,004
Net income	**$ 18,257,616**	$ 15,715,588	$ 3,950,034
Net income per share	**$ 1.41**	$ 1.33	$ 0.64
Funds from operations	**$ 26,161,850**	$ 21,135,302	$ 6,268,879
Funds from operations per share	**$ 2.02**	$ 1.79	$ 1.01
Dividends declared and paid	**$ 1.83**	$ 1.75	$ 0.551
Weighted average shares outstanding	**12,967,132**	11,830,197	6,185,600

**Represents operations from June 3, 1993, when the Company completed its initial public offering, to December 31, 1993.*

Quarterly Revenue Growth



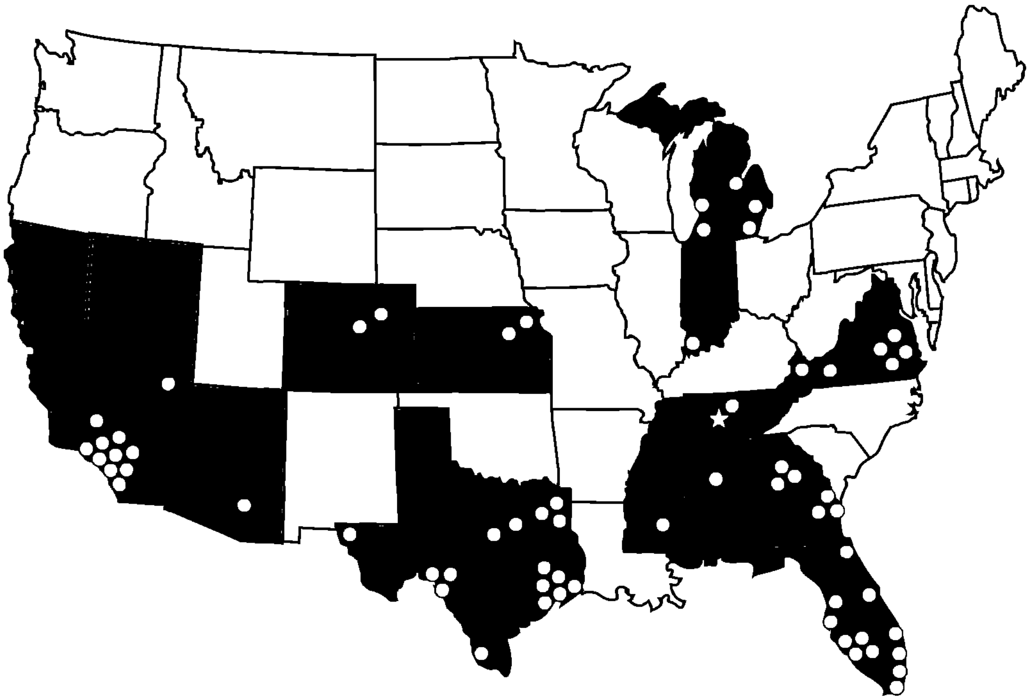
Quarterly Dividend Growth*



***Dividends related to a specific quarter are declared and paid in the subsequent quarter.**

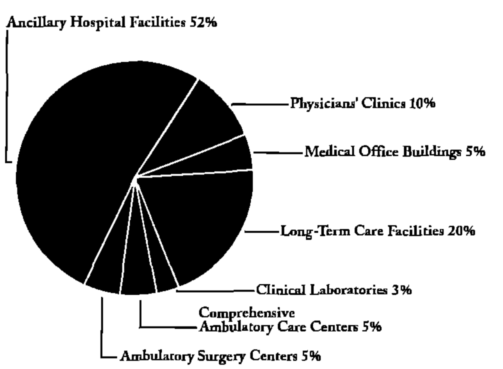
Information about the Company is available at its World Wide Web site: http://www.hr.gspnet.com

PROPERTIES



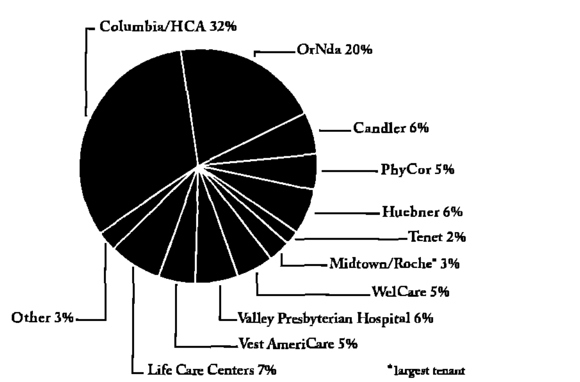
The Company's current portfolio consists of 65 properties, comprised of seven facility types, associated with 14 healthcare providers in 35 markets throughout the United States. The Company's wholly owned subsidiary, Healthcare Realty Management, is currently managing or developing 41 properties nationwide.

Investments by Property Type



Healthcare Realty Trust's investments are targeted to the high-growth segment of the healthcare industry — ancillary and outpatient properties. To date, these facilities account for 75 percent of the Company's investments.

Investments by Healthcare Provider



The Company's clientele accurately exemplifies its acquisition criteria: (1) established providers in growth markets; (2) outpatient emphasis in an integrated delivery system; (3) potential for increased revenue; and (4) opportunity for additional investments.

Letter to Shareholders

I am pleased to report that fiscal 1995 represented our third outstanding year and tenth consecutive positive quarter as a public company. Our portfolio of stable healthcare properties, plus the success of our management subsidiary, Healthcare Realty Management, generated excellent revenue and earnings growth. The Company's strong performance continues to provide increasing dividend payments for our shareholders.

For 1995, revenues totaled $33.4 million compared with $24.2 million for the prior year. Net income was $18.3 million, or $1.41 per share, compared with $15.7 million, or $1.33, for the year ended December 31, 1994. Funds from operations, composed of net income, depreciation and amortization, totaled $26.2 million, or $2.02 per share, for the twelve-month period. This compares with $21.1 million, or $1.79 per share for the same period in 1994.

For the fourth quarter of 1995, revenues totaled $9.1 million, representing a 17-percent increase over the prior year's $7.7 million. Net income for the period was $4.7 million, or $0.36 per share, compared with $4.7 million, or $0.37 per share, for the fourth quarter of 1994. Funds from operations for the quarter totaled $6.7 million, or $0.52 per share, compared with $6.3 million, or $0.50 per share, for the fourth quarter ended December 31, 1994.

Total dividend payments for calendar year 1995 were $1.83 per share compared with $1.75 per share for calendar year 1994, an increase of 4.6 percent. Since our founding in June 1993, we have generated ten consecutive quarterly dividend increases. We are proud of this achievement which we believe confirms our investment strategy and the operating strength of our portfolio.

Seizing Opportunity

Irrespective of the intense media attention directed at changes in the healthcare industry, healthcare continues to be one of the most solid segments in the U. S. economy, representing about 14 percent of the 1995 Gross Domestic Product. Increasing demand from an aging population and improved technology continue to substantially increase the need for healthcare services. Yet, ever-increasing demand must be balanced by the desire to reduce the cost of those services. These opposing market forces are changing the way healthcare is delivered — not diminishing the size or importance of this trillion dollar market.

As healthcare providers consolidate and restructure, the ability to manage real estate as a strategic asset is becoming more critical. Under managed care's capitated payment structure, healthcare providers no longer have the ability to pass along facility costs as part of patient charges. Expertise in the control and management of real estate can have a major impact on operating cash flow. In response, healthcare providers are outsourcing property management and development services, enabling them to focus on their core business.

To effectively seize new opportunities, Healthcare Realty Trust acquired, at the beginning of the year, a leading provider of real estate services to the healthcare industry. Now a wholly owned subsidiary, Healthcare Realty Management provides responsive real estate solutions by furnishing property management, leasing and build-to-suit development services.

The Company completed several important agreements during 1995.

• The Company signed a five-year national contract to provide property management services to OrNda HealthCorp. The first phase of this transaction comprises 20 facilities involving approximately 670,000 square feet in Southern California.

• Late in the fourth quarter, the Company entered into an exclusive five-year agreement with VHA Inc. to market its real estate capital, development and property management services. VHA is an alliance of 1,315 not-for-profit healthcare organizations, representing 21 percent of the nation's hospitals.

• The Company entered into a contract to provide property management services to an affiliate of Columbia/HCA Healthcare Corporation in Houston, Texas, involving five properties and over 400,000 square feet. The engagement was recently increased to eight properties totaling 600,000 square feet.

These agreements affirm Healthcare Realty Trust's unique strategy to combine capital resources with management and development expertise, which not only provides other sources of income but differentiates the Company from all other healthcare REITs.

Differentiating Strategy

Unlike traditional healthcare REITs that focus on the acquisition of inpatient properties to produce operating income, our intent is to create value through two explicit strategies. First, the Company targets its acquisition activities on the ancillary/outpatient segment of the industry — the fastest growing healthcare sector. Outpatient visits grew 33.2 percent from 1982 to 1992, and in 1994 alone, experienced seven-percent growth. Secondly, Healthcare Realty Trust uses its development and property management capabilities as value-added services, supporting its financial transactions. Our integrated approach to real estate creates accretive sources of revenue not available to other healthcare REITs. Using these distinct strategies, Healthcare Realty Trust is recognized as a leader in the industry.

Refining Our Financial Strength

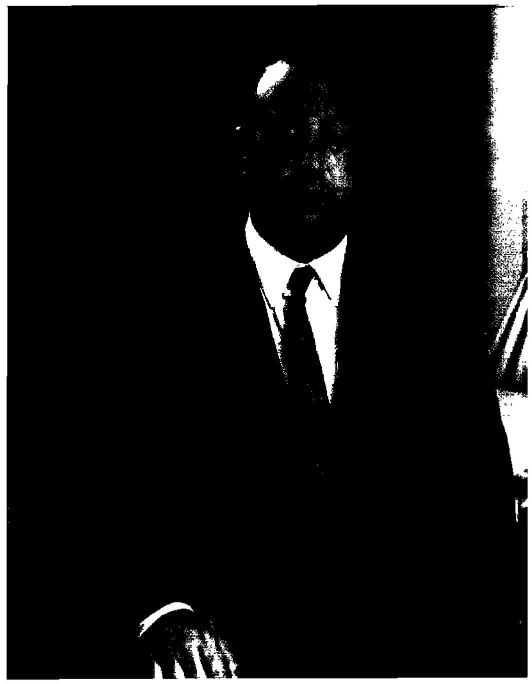
There were several events that took place during 1995 that enhanced the Company's strong financial condition.

• The Company reached a milestone and gained further validation of its financial strength when it received a BBB- (investment grade) credit rating by Duff & Phelps Credit Rating Company.

• An offering of $60 million, 7.41 percent notes was increased to $90 million after the Company received investor commitments exceeding the offer by more than 100 percent.

• The Company negotiated enhanced terms on its current $75 million bank credit facility. The interest rate and the unused fee were both reduced, while certain financial covenants were relaxed. We are pleased with the responsiveness of our bank lending group and the mutual benefits of the relationship.

With a conservative capital structure in place, the Company maintains the flexibility to take advantage of attractive investment opportunities and to access the capital markets as necessary.



Investing in Technology

During the year we made meaningful technological investments to provide effective communication among our employees, clients and shareholders. We created wide area networks, a common operating system, and a World Wide Web site to provide timely disclosure of corporate information. We invite you to visit our Web address at http://www.hr.gspnet.com to view press releases, reference investor information, and read quarterly updates. You may also request specific information about the Company or forward your comments to management.

As we continue to build relationships with the most successful healthcare companies in the United States, we are grateful to the Board of Directors and our employees for their diligent efforts and continuing commitment. We are also appreciative of our shareholders, whose support and involvement provide the basis for the continued growth of our Company. I look forward to reporting our progress during 1996.

Sincerely yours,

David R Emery

David R. Emery

Chairman of the Board and President

Managing Real Estate as Strategic Assets

Healthcare Realty Trust is a New York Stock Exchange listed real estate investment trust (REIT) with a unique distinction. Unlike a traditional healthcare REIT that acts much like a mutual fund for real estate, capitalizing on the difference between its cost of capital and yield on assets, Healthcare Realty Trust's strategy is to furnish fully integrated real estate solutions to healthcare providers. Healthcare Realty Trust develops, acquires and manages real estate as strategic assets. The Company provides property management, leasing and build-to-suit development, and capital for the construction of new facilities as well as for the acquisition of existing properties. We believe that by offering comprehensive real estate services, we can differentiate the Company's market position, heighten investment returns and maximize long-term client relationships. Healthcare Realty Trust follows a proven business plan developed by traditional REITs, but enhanced by an innovative strategy which benefits from the dynamics of today's healthcare environment.

Market Potential

Healthcare properties in the United States represent about $900 billion in assets, with REITs currently funding less than one percent of this market. It is projected that real estate assets related to healthcare will grow by at least $10 billion annually through the end of the decade, with nearly 85 percent of new construction dedicated to ancillary/outpatient facilities. Healthcare Realty Trust is focusing on these alternate care properties, benefiting from opportunities created by an accelerating demand for outpatient services.

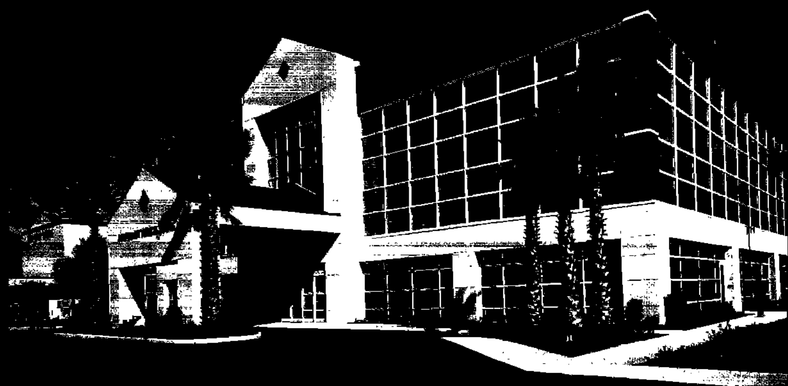
While traditional healthcare REITs typically fund nursing homes, acute care hospitals, or other inpatient facilities, Healthcare Realty Trust acquires strong, geographically diverse properties that support outpatient services in growth markets.

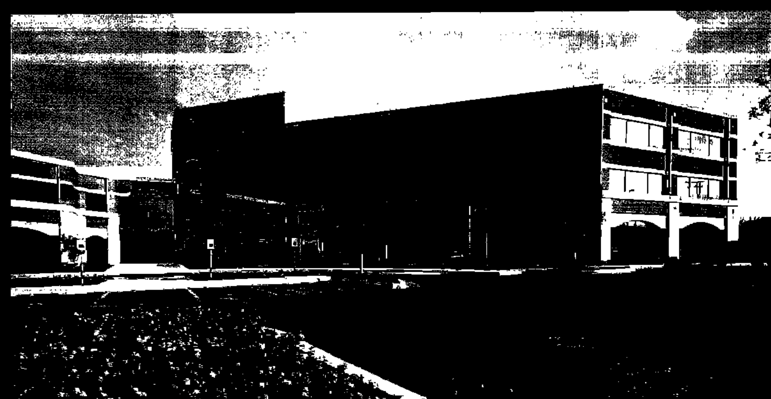
From 1982 to 1992, outpatient visits grew over 33 percent, representing the most rapidly growing segment of the healthcare industry. While traditional healthcare REITs typically fund nursing homes, acute care hospitals, or other inpatient facilities, Healthcare Realty Trust acquires strong, geographically diverse properties that support outpatient services in growth markets. By entering into transactions with strong, diverse healthcare providers and

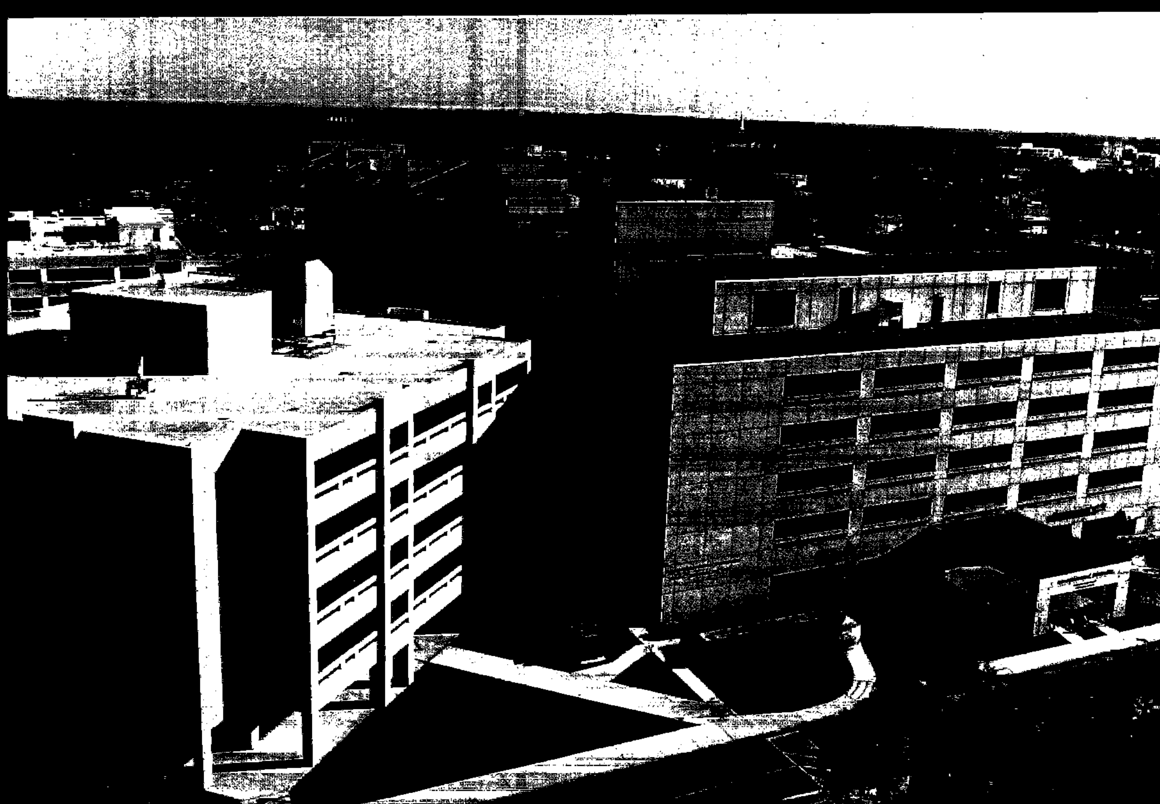
***Gulf Coast Medical Centre (Columbia)**, Fort Myers, Florida, a three-story facility, with 37,000 square feet, located on three acres adjacent to Gulf Coast Hospital*

***Huebner Medical Center (Huebner)**, located within two miles of South Texas Medical Center in San Antonio, Texas, comprised of two facilities connected by an atrium, totaling 163,000 square feet*

***Candler Regional Heart Center (Candler Health Systems)**, Savannah, Georgia, a five-story, 94,000-square-foot building opened in September 1995, adjacent to the **Candler Professional Office Building**, a 90,000-square-foot facility*





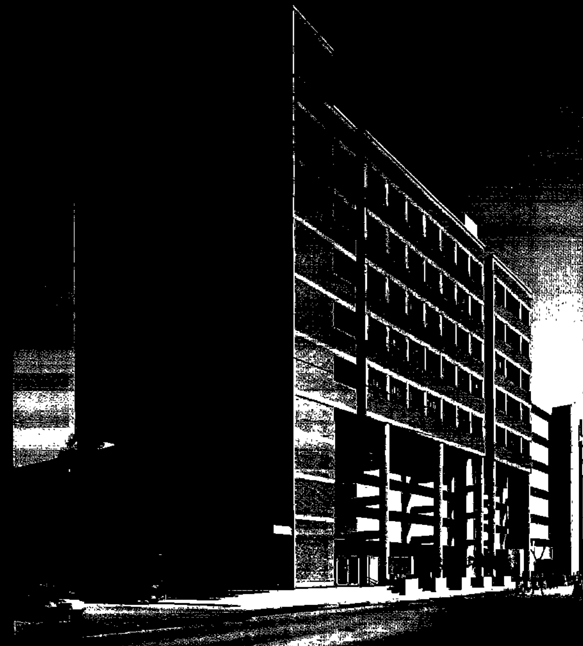


***Coral Gables Medical Plaza (OrNda HealthCorp)**, Coral Gables, Florida, a 74,500-square-foot, nine-story facility located across the street from Coral Gables Hospital*

***Oregon Medical Building (Columbia)**, 217,000-square-foot, ten-story ancillary hospital facility connected to Sun Towers Hospital in El Paso, Texas*

***Southwest Medical Center Plaza (Columbia)**, Fort Myers, Florida, a 64,700-square-foot, four-story ancillary hospital facility located on 3.2 acres on the campus of Southwest Florida Regional Medical Center*

***Valley Presbyterian Ancillary Facilities (Valley Presbyterian Hospital)**, Van Nuys, California, consists of two properties located contiguous to Valley Presbyterian Hospital, comprising 78,000 square feet*



cross-selling its services, Healthcare Realty Trust can effectively manage risk, while increasing cash flow and dividends.

Growth Through Integrated Real Estate Services

Integrated real estate services provide sources of cash flow not limited to the ability to make positive spread investments. Traditional REITs have transformed into full-service corporations, with development, leasing and management capabilities. Healthcare Realty Trust is employing this strategy in the healthcare sector with measurable success. To generate additional sources of accretive cash flow and to further its strategy of integrating real estate services, during the first quarter of 1995, Healthcare Realty Trust acquired a leading healthcare real estate management company. The Company also made significant technological investments to promote effective communication among its various locations and sites. By creating wide area networks, developing a World Wide Web site, and implementing a common operating system which allows rapid expansion of computing power and information resources, the Company has positioned itself to manage strategic real estate assets for healthcare providers nationwide.

For example, during the third quarter, Healthcare Realty entered into a contract with OrNda HealthCorp to manage 20 facilities in Southern California, representing approximately 670,000 square feet. The Company also signed a five-year exclusive marketing agreement with VHA Inc., a coalition of 1,315 not-for-profit healthcare providers, to market property management services, development expertise, and capital resources to its members.

Using extensive market research, feasibility analysis, financial modeling and increased technology, Healthcare Realty Trust partners with clients to provide state-of-the-art healthcare facilities.

Using extensive market research, feasibility analysis, financial modeling and increased technology, Healthcare Realty Trust partners with clients to provide state-of-the-art healthcare facilities which attract and retain quality tenants to the client's healthcare network.

A Long-Term View with Clients

Healthcare Realty Trust remains mindful of its client base. A vital element of the Company's success is the development of valued, long-term relationships with leading healthcare providers. Our goal is to provide the capital and services that clients require and to foster additional investments with those clients over time.

Many of the Company's clients are prominent, publicly-traded or investment-grade healthcare corporations. Others, such as Life Care Centers of America, Inc., represent the largest private organizations in their industry segment. With cash flow dependent on the provider's delivery strategy as well as the underlying value of the real estate, investing in relationships with reliable, creditworthy operators is integral to success. With these prominent and diverse clients, Healthcare Realty Trust is assured consistent and secure cash flow. As an independent REIT, with a diversity of lessee relationships, Healthcare Realty Trust is not restricted competitively as are other REITs which have predominant provider reliance. Healthcare Realty Trust can work with the leading healthcare companies in any given market.

For ten consecutive quarters, the Company has paid dividends to shareholders — exceeding $50 million in less than three years.

Planned Growth

Healthcare Realty Trust is committed to a stable, conservative plan of growth. For ten consecutive quarters, the Company has paid dividends to shareholders — exceeding $50 million in less than three years. Since its formation in June 1993, Healthcare Realty Trust has invested over $333 million in income-producing healthcare real estate. Given the industry size, the Company is well poised to consider ongoing investment opportunities in additional high-caliber properties. While average debt to total capitalization among REITs is 43 percent, Healthcare Realty Trust had, at year end, a prudent debt to total capitalization of 28.5 percent. The Company's debt is rated BBB- (investment grade) by Duff & Phelps Credit Rating Company, and the Company has a $75 million credit facility available with a bank consortium lead by NationsBank.

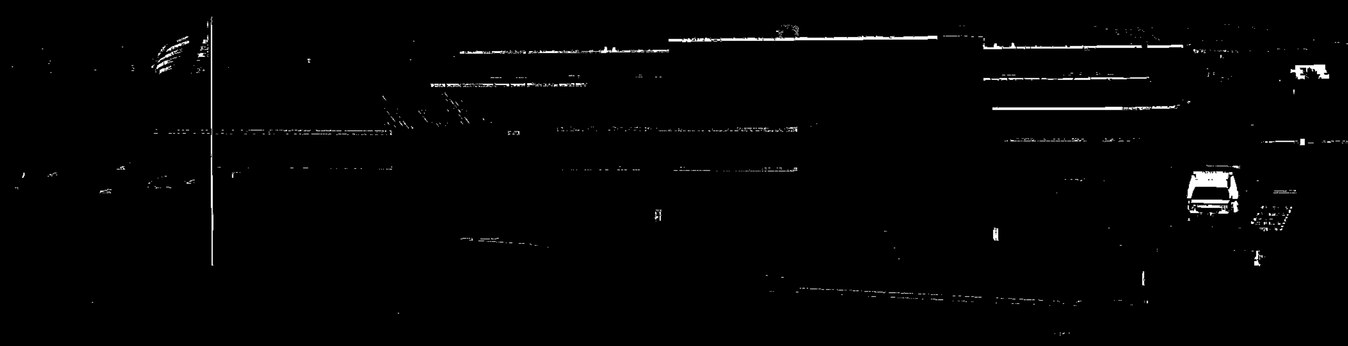
The Company's long-term objective is planned, continuous growth from a sound financial base, including value-added enhancement of its properties and strong working relationships with its clients.

***The Atrium (Columbia)**, Richmond, Virginia, a five-story, 130,000-square-foot facility located adjacent to Johnston-Willis Hospital*

***Spring Branch Professional Building (Columbia)**, Houston, Texas, 108,000 square feet on eight levels, adjoining Spring Branch Medical Center*

***Valley View Surgery Center (National Surgery Centers)**, Las Vegas, Nevada, a one-story facility with 16,800 square feet located adjacent to the Rehabilitation Hospital of Nevada — Las Vegas*

***Life Care Center of Aurora (Life Care Centers of America)**, Aurora, Colorado, a 52,000-square-foot, long-term care facility located on 12 acres*



Valley Diagnostic Medical and Surgical Center (PhyCor), *Harlingen, Texas, a two-story, 41,500-square-foot facility on 3.6 acres*

St. Andrews Medical Park, *Venice, Florida, consisting of the Center for Sight, a 17,000-square-foot clinic occupied by a physician practice, and St. Andrews Surgery Center (Columbia), a 12,000-square-foot facility* *(under commitment)*

Chippenham Hioaks Medical Office Building (Columbia), *Richmond, Virginia, a two-story, 53,000-square-foot office building on the campus of Columbia Chippenham Hospital*

Fountain Valley Ancillary Facilities (OrNda HealthCorp), *Fountain Valley, California, consisting of five buildings representing over 300,000 square feet on the Fountain Valley Hospital campus*

The Best Performing Sector in the Industry

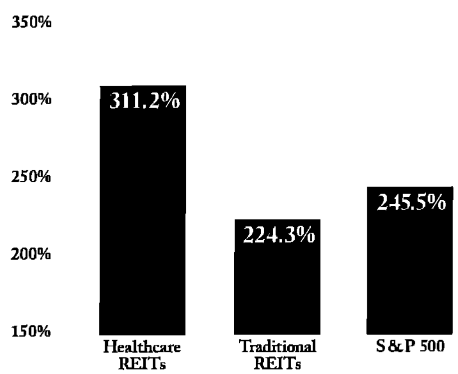
Representing only twelve of the more than 200 public REITs in the market, healthcare REITs have offered the highest quality returns and the most consistent performance in the industry. REITs in all segments have recently experienced a remarkable period of growth, skyrocketing from $9 billion in market value in 1990 to a market value of more than $50 billion today. Still, according to the National Association of Real Estate Investment Trusts, REITs currently represent less than five percent of the $2-3 trillion real estate market in the United States.

Because the demand for healthcare services is being driven by an aging population and demographic growth patterns, healthcare REITs should be viewed differently — having limited real estate or business cycle exposure as compared to traditional REITs.

Healthcare REITs have gained wide market acceptance among institutional investors who are interested in investing capital in the healthcare industry. Healthcare REIT portfolios typically include a diversity of property types, including acute care hospitals, nursing homes, assisted living centers, rehabilitation hospitals, ancillary/outpatient facilities, medical office buildings and congregate care facilities. Because the demand for healthcare services is being driven by an aging population and demographic growth patterns, healthcare REITs should be viewed differently — having limited real estate or business cycle exposure as compared to traditional REITs.

During 1995, healthcare REITs registered double-digit performance returns of 21 percent, with *Realty Stock Review* citing healthcare REITs as the best-performing sector in the industry historically. Equally impressive, healthcare REITs have achieved a positive total return for nine of the last ten years, with stock market capitalization at the end of 1995 exceeding $7.4 billion. Eight of the twelve existing healthcare REITs now have investment-grade debt ratings.

Total Return
(1986-1995)



Since 1986, healthcare REITs have had a total return of 311 percent.

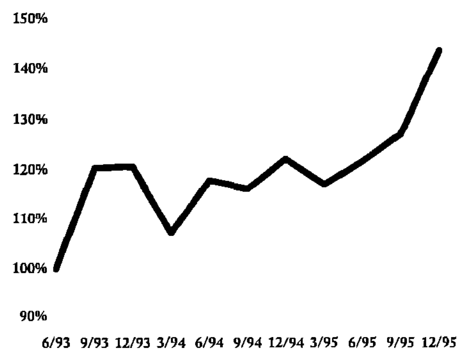
Continuing Opportunity

The potential for growth within the healthcare REIT industry is extraordinary. Currently, there are only a dozen healthcare REITs, financing less than one percent of the estimated $900 billion in healthcare assets. Barriers to entry for the formation of new REITs are significant, requiring access to large amounts of front-end capital; developed relationships with healthcare providers; and extensive knowledge and experience in the real estate and healthcare sectors. With the formation of new healthcare REITs appearing remote, and given the enormous capital requirements of the healthcare industry, existing healthcare REITs are in a unique position to make positive investments in an environment of limited competition. Market-driven healthcare reform is also adding to this opportunity, as healthcare providers shift resources to develop integrated delivery networks — offering services in ways not imagined a few years ago.

. . . existing healthcare REITs are in a unique position to make positive investments in an environment of limited competition.

Healthcare Realty Trust
Quarterly Stock Price + Dividends

Total Return (as a % of 6/93)

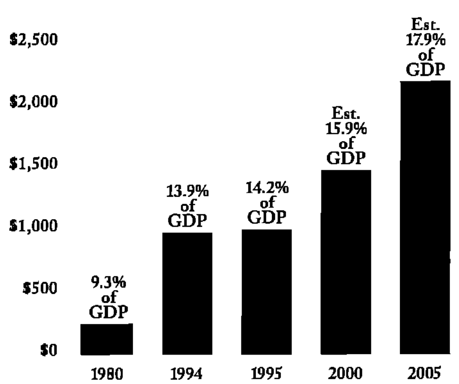


Since its formation in June 1993, Healthcare Realty Trust's total return has outperformed the average total return of all healthcare REITs.

Reengineering a Trillion Dollar Market

Healthcare is experiencing market-driven reengineering as hospitals, physicians, and health maintenance organizations align to form managed care networks within integrated delivery systems. These systems endeavor to slow rising healthcare costs, promote prevention and provide accountability for the delivery of health-related services. Encouraged by payer desires to control escalating costs, patient acceptance of lower cost alternatives, government's declining reimbursement dollars and development of new technology, the managed care movement is rapidly changing the delivery of healthcare — not the demand for the care itself.

National Health Expenditure
($ in billions)



The U.S. healthcare industry continues to expand to more than one trillion dollars in annual expenditures, driven by an aging population and the development of improving technology.

Healthcare remains one of the largest service sectors in the United States, representing over 14 percent of the Gross Domestic Product in 1995. Medical care led all personal consumption categories in 1995, accounting for a greater percentage of spending than dollars required for basics such as food or housing. With an aging population and improving technology, expenditures for healthcare services are predicted to grow approximately seven percent annually through the next decade, to $2.2 trillion in 2005.

Healthcare Realty Trust is the only healthcare REIT providing comprehensive real estate services to the healthcare industry.

Managing Resources

The movement toward managed care and integrated delivery networks has changed the facility requirements of the healthcare industry. In each of the last several years, healthcare providers required billions of dollars in capital improvements to respond to the demands of outpatient services prescribed by managed care. Hospital mergers and consolidations, occurring in response to excess capacity and duplication of services, were valued in excess of

$125 billion in 1994 and 1995. New integrated delivery networks are pressuring providers to reduce operating costs and improve efficiencies by concentrating on their core business. Analysts predict that approximately 850 regional integrated delivery networks will be formed by the year 2000, each requiring capital to finance multimillion dollar investments in physician practices, outpatient/alternate-site facilities, medical office buildings and information systems.

Healthcare will continue to be a dominant industry in the United States, while its reengineering provides unprecedented opportunities for innovative companies. Healthcare Realty Trust will continue to focus its management resources and financial capability on real estate in healthcare sectors which hold the greatest promise for continued growth. With the Company's integrated real estate services and its focus on the fastest-growing segment of the healthcare industry, Healthcare Realty Trust is ideally positioned to prosper and deliver increasing income and value to its shareholders.

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SELECTED FINANCIAL INFORMATION

The following table sets forth financial information for the Company which is derived from the Financial Statements included elsewhere in this Report.

	Year Ended December 31, 1995	*Year Ended December 31,* 1994	*June 3, 1993 (commencement of operations) through December 31, 1993*
STATEMENT OF INCOME DATA:			
Total revenues	**$ 33,361,161**	$ 24,226,423	$ 7,135,004
Interest expense	**$ 5,083,172**	$ 1,116,436	$ 314,167
Net income	**$ 18,257,616**	$ 15,715,588	$ 3,950,034
Net income per share	**$ 1.41**	$ 1.33	$ 0.64
Weighted average shares outstanding	**12,967,132**	11,830,197	6,185,600
BALANCE SHEET DATA: *(as of the end of the period)*			
Real estate properties, net	**$ 318,480,336**	$ 280,767,098	$ 133,392,751
Total assets	**$ 336,777,677**	$ 283,189,771	$ 134,069,694
Senior unsecured revolving line of credit	–	$ 37,300,000	$ 21,000,000
Senior notes	**$ 90,000,000**	–	–
Total stockholders' equity	**$ 234,447,793**	$ 236,340,287	$ 108,190,254
OTHER DATA:			
Funds from operations [1]	**$ 26,161,850**	$ 21,135,302	$ 6,268,879
Funds from operations per share [1]	**$ 2.02**	$ 1.79	$ 1.01
Dividends declared and paid per share	**$ 1.83**	$ 1.75	$ .551

(1) See Note 12 to Consolidated Financial Statements.

Overview

The Company was incorporated in Maryland in May 1992 and operates under the Internal Revenue Code of 1986 as an indefinite life real estate investment trust. Substantially all of the Company's revenues are derived from base and additional rentals on its healthcare real estate property facilities and interest earned from the temporary investment of funds in short-term instruments and from management and development services. Leases and other financial support arrangements with respect to its healthcare real estate facilities generally ensure that the costs and expenses incurred with respect to the operation of the facilities will be borne by tenants and healthcare providers related to the facilities. The Company incurs operating and administrative expenses, principally compensation expense for its officers and other employees, office rental and related occupancy costs and various expenses incurred in the process of acquiring additional properties. As of December 31, 1995, the Company had purchased, developed or had under development, 63 properties for $332,972,982, located in 34 markets in 14 states, which are supported by 14 healthcare-related entities pursuant to long-term leases. The properties include 34 ancillary hospital facilities, 3 medical office buildings, 7 physician clinics, 11 long-term care facilities, 3 comprehensive ambulatory care centers, 2 clinical laboratories and 3 ambulatory surgery centers.

Effective January 1, 1995, the Company, through its wholly owned subsidiary, Healthcare Realty Management (HRM), acquired the assets of Starr Sanders Johnson, Inc., a leading provider of management and build-to-suit development real estate services to healthcare providers. The purchase price consists of $650,000 cash and 156,239 shares of the Company's common stock (valued at approximately $3,150,000). The assets purchased include existing management contracts and development agreements, as well as operational assets, relating to the day-to-day management and leasing of multi-tenanted healthcare properties and to the supervision of the development of new healthcare facilities. The Company intends to employ HRM in the management and development of its assets and derive additional revenues from its activities.

The Company is self-administered and self-managed by its executives and staff and does not engage a separate advisor or pay an advisory fee for administrative or investment services, although the Company engages legal, accounting, tax and financial advisors from time to time. The Company leverages its portfolio of real estate equity investments and will continue to incur long and short-term indebtedness, and related interest expense, from time to time. The Company intends to continue to declare and pay dividends to its stockholders in amounts not less than the amounts required to maintain its status as a REIT under the Internal Revenue Code and, in general, in amounts exceeding taxable income. The Company's ability to pay dividends will depend upon its funds from operations.

Results of Operations

For the year ended December 31, 1995, net income was $18,257,616, or $1.41 per share of common stock, on revenues of $33,361,161 compared to net income of $15,715,588, or $1.33 per share of common stock, on revenues of $24,226,423, for the year ended December 31, 1994. Cash available for distribution was $2.02 per share for the year ended December 31, 1995 compared to $1.79 in 1994.

	1995	1994
Revenues		
Rental income	$ 32,402,507	$ 23,231,345
Management fees	465,766	0
Interest & other income	492,888	995,078
	33,361,161	24,226,423
Expenses		
General & administrative	2,143,505	2,095,669
Interest	5,083,172	1,116,436
Depreciation	7,567,060	5,233,474
Amortization	309,808	65,256
	15,103,545	8,510,835
Net income	$ 18,257,616	$ 15,715,588

1995 Compared to 1994

Total revenues for the year ended December 31, 1995 were $33,361,161 compared to $24,226,423 for the year ended December 31, 1994, an increase of $9,134,738 or 38%. The increase is primarily due to a full year of rental income derived from the acquisition of 20 properties during the year ended December 31, 1994 and base rent derived from eight completed properties which were transferred from construction in progress subsequent to September 30, 1994. In addition, rental income for the year ended December 31, 1995 includes a partial year of base rent derived from the three acquisitions during 1995. Revenues during 1995 also reflect $465,766 of property management fees derived from the Starr Sanders Johnson, Inc. acquisition, previously discussed. Interest and other income decreased from $995,078 for the year ended December 31, 1994 to $492,888 for the year ended December 31, 1995 primarily due to the Company maintaining lower cash balances. In addition, the 1995 amount reflects $220,140 of gain from a property disposition. On October 31, 1995, the Company sold a 24,189-square-foot ancillary hospital facility in Van Nuys, California for $4,800,000. The property was sold to the lessee, pursuant to provisions in the Company's lease agreement, which required the lessee to purchase the property due to hidden structural damages suffered in the January 1994 Northridge earthquake that rendered the facility unusable for its intended purpose.

Total expenses for the year ended December 31, 1995 were $15,103,545 compared to $8,510,835 for the year ended December 31, 1994, an increase of $6,592,710 or 77%. This increase is primarily attributable to increases in depreciation, amortization, and interest expense. Depreciation expense increased $2,333,586 due to the acquisition of additional properties and the completion of properties under construction which were discussed in the preceding paragraph. Amortization increased from $65,256 for the year ended December 31, 1994 to $309,808 for the year ended December 31, 1995 due to amortization of office leasehold improvements and revenue producing management contracts acquired in the Starr Sanders Johnson, Inc. acquisition. Interest expense increased from $1,116,436 for the year ended December 31, 1994 to $5,083,172 for the year ended December 31, 1995. The Company completed a secondary offering on February 16, 1994 and immediately repaid all $23,100,000 of outstanding indebtedness under the Senior Credit Facility. The Company did not borrow against the Senior Credit Facility again until August 9, 1994 since proceeds were available from secondary offering to fund additional property acquisitions. During the year ended December 31, 1995, the Company had an average outstanding debt balance of $68,100,000. On September 18, 1995, the Company privately placed $90,000,000 of unsecured Senior Notes (the "Senior Notes") with 16 credit institutions which also had the effect of increasing 1995 interest expense.

1994 Compared to 1993

The Company was organized to qualify as an indefinite life real estate investment trust ("REIT") and commenced operations on June 3, 1993 with the receipt of proceeds from the sale of 6,000,000 shares of common stock. Accordingly, the Company has a limited history, and comparative operating results for the year ended December 31, 1994, and the interim period ended December 31, 1993, are not meaningful.

Future Operations

The Company's future results of operations will be influenced by the terms of any subsequent investments the Company may make, as well as its ability to generate revenues from the management and development services performed by Healthcare Realty Management. There can be no assurance that the Company will be able to purchase or develop additional properties or to lease to others on suitable terms or to successfully market the services offered by Healthcare Realty Management.

Management believes that inflation should not have a materially adverse effect on the Company. The majority of the leases contain some provision for additional rent payments based on increases in various economic measures. These additional rent payments have not been significant.

Liquidity and Capital Resources

The Company has a $75,000,000 Senior Unsecured Revolving Credit Facility (the "Senior Credit Facility") from four commercial banks that may be used to finance the acquisition or development of additional properties and for general corporate purposes. Borrowings under the Senior Credit Facility bear interest, at the option of the Company, at the base rate of NationsBank, National Association or at LIBOR plus 1.25%. The Company pays a commitment fee of .25 of one percent per annum on the unused portion of funds available for borrowing under the Senior Credit Facility which will be available until August 2, 1997. The Senior Credit Facility is unsecured and contains certain representations, warranties and financial and other covenants customary in such loan agreements. At December 31, 1995, there were no borrowings outstanding under the Senior Credit Facility, which results in a borrowing capacity of $75,000,000. As of December 31, 1995, the Company had stockholders' equity of $234,447,793. The debt to total capitalization ratio was approximately 0.28 to 1.00 at December 31, 1995.

On September 18, 1995, the Company privately placed $90,000,000 of its unsecured Senior Notes (the "Senior Notes") with sixteen credit institutions. The Senior Notes bear interest at 7.41%, payable semiannually, and mature on September 1, 2002. Beginning on September 1, 1998 and on each September 1 through 2002, the Company must repay

$18,000,000 of principal. The note agreements pursuant to which the Senior Notes were purchased contain certain representations, warranties and financial and other covenants customary in such loan agreements.

On October 31, 1995, the Company sold a 24,189-square-foot ancillary hospital facility in Van Nuys, California for $4,800,000. The property was sold to the lessee pursuant to provisions in the Company's lease agreement for an amount equal to the Company's original investment in the property. The property suffered significant hidden structural damages in the Northridge earthquake in January 1994 that rendered the ancillary hospital facility unusable for its intended purpose. No additional property sales are anticipated in the near future. Proceeds from the sale will be available for general corporate purposes.

As of December 31, 1995, the Company, in the normal course of business, had received fully executed non-binding letters of intent to fund development of two properties for approximately $14,754,000. In addition, as of December 31, 1995, the Company had a net investment of approximately $15,300,000 for five lessee developments in progress with a total funding commitment of approximately $33,600,000. The Company intends to fund these commitments with the funds available from the proceeds of the Senior Credit Facility and the Senior Notes.

During 1995, the Company filed a shelf registration statement pertaining to $250,000,000 of equity securities, debt securities, and warrants. Such registration statement has been declared effective by the Securities and Exchange Commission. The Company intends to offer securities under such registration statement from time to time to finance future acquisitions and build-to-suit developments as they occur. The Company may, under certain circumstances, borrow additional amounts in connection with the renovation or expansion of its properties, the acquisition or development of additional properties or, as necessary, to meet distribution requirements for REITs under the Code. The Company may raise additional capital or make investments by issuing, in public or private transactions, its equity and debt securities, but the availability and terms of any such issuance will depend upon market and other conditions. Although management believes that the Company will be able to obtain additional financing or capital on terms acceptable to the Company in sufficient amounts to meet its liquidity needs, there can be no assurance that such additional financing or capital will be available on terms acceptable to the Company.

Under the terms of the leases and other financial support agreements relating to the properties, tenants or healthcare providers are generally responsible for operating expenses and taxes relating to the properties. As a result of these arrangements, the Company does not believe that it will be responsible for any major expenses in connection with the properties during the respective terms of the agreements. The Company anticipates entering into similar arrangements with respect to any additional properties it acquires. After the term of the lease or financial support agreement, or in the event the financial obligations required by the agreement are not met, the Company anticipates that any expenditures it might become responsible for in maintaining the properties will be funded by cash from operations and, in the case of major expenditures, possibly by borrowings. To the extent that unanticipated expenditures or significant borrowings are required, the Company's cash available for distribution and liquidity may be adversely affected.

On January 23, 1996, the Company declared an increase in its quarterly dividend from $.465 per Share ($1.86 annualized) to $.47 per Share ($1.88 annualized) payable to stockholders of record on February 2, 1996. This dividend was paid on February 15, 1996. The Company presently plans to continue to pay its quarterly dividends, with increases consistent with its current practice. In the event that the Company cannot make additional investments in 1996 because of an inability to obtain new capital by issuing equity and debt securities, the Company will continue to be able to pay its dividends in a manner consistent with its current practice. No assurance can be made as to the effect upon the Company's ability to increase its quarterly dividends during periods subsequent to 1996, should access to new capital not be available to the Company.

The Company generated net cash from operations in 1995 of $26,736,918, an increase of $5,453,158 over 1994 and $20,386,012 over 1993. The funds were used in 1995, along with the proceeds of the Senior Notes of $90,000,000 and borrowings of $31,700,000 under the Senior Credit Facility, to make additional investments in income producing assets and real estate properties totaling $50,037,235. Funds were also used to retire debt of $69,105,000 and to pay dividends to stockholders of $23,726,926.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Healthcare Realty Trust Incorporated

We have audited the accompanying consolidated balance sheets of Healthcare Realty Trust Incorporated as of December 31, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended December 31, 1995 and 1994, and the period from June 3, 1993 (commencement of operations) through December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Healthcare Realty Trust Incorporated at December 31, 1995 and 1994, and the consolidated results of operations and cash flows for the years ended December 31, 1995 and 1994, and the period from June 3, 1993 (commencement of operations) through December 31, 1993, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Nashville, Tennessee
January 25, 1996

CONSOLIDATED BALANCE SHEETS

	December 31, 1995	December 31, 1994
ASSETS		
Real estate properties:		
Land	$ 41,435,193	$ 39,606,239
Buildings and improvements	273,522,934	243,450,248
Personal property	2,761,458	1,437,217
Construction in progress	15,253,397	3,399,402
	332,972,982	287,893,106
Less accumulated depreciation	(14,492,646)	(7,126,008)
Total real estate properties, net	318,480,336	280,767,098
Cash and cash equivalents	9,142,775	496,852
Receivables	1,378,261	637,100
Deferred costs, net	1,497,045	504,969
Other assets	6,279,260	783,752
Total assets	$ 336,777,677	$ 283,189,771
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes and bonds payable	$ 92,970,000	$ 40,375,000
Security deposits payable	4,562,490	4,819,772
Accounts payable and accrued liabilities	4,214,599	1,385,754
Deferred income	582,795	268,958
Total liabilities	102,329,884	46,849,484
Commitments and contingencies	–	–
Stockholders' equity:		
Preferred stock, $.01 par value; 50,000,000 shares authorized; none outstanding	–	–
Common stock, $.01 par value; 150,000,000 shares authorized; 12,976,796 issued and outstanding at December 31, 1995 and 12,803,397 at December 31, 1994	129,768	128,034
Additional paid-in capital	243,418,805	239,960,743
Deferred compensation	(478,288)	(595,308)
Cumulative net income	37,923,238	19,665,622
Cumulative dividends	(46,545,730)	(22,818,804)
Total stockholders' equity	234,447,793	236,340,287
Total liabilities and stockholders' equity	$ 336,777,677	$ 283,189,771

See accompanying notes.

Consolidated Statements of Income

	Year Ended December 31, 1995	Year Ended December 31, 1994	Period from June 3, 1993 (commencement of operations) through December 31, 1993
Revenues:			
Rental income	$ 32,402,507	$ 23,231,345	$ 7,066,606
Management fees	465,766	–	–
Interest and other income	492,888	995,078	68,398
	33,361,161	24,226,423	7,135,004
Expenses:			
General and administrative	2,143,505	2,095,669	578,939
Depreciation	7,567,060	5,233,474	1,832,682
Amortization	309,808	65,256	459,182
Interest	5,083,172	1,116,436	314,167
	15,103,545	8,510,835	3,184,970
Net income	$ 18,257,616	$ 15,715,588	$ 3,950,034
Net income per share	$ 1.41	$ 1.33	$ 0.64
Weighted average shares outstanding	12,967,132	11,830,197	6,185,600

See accompanying notes.

Consolidated Statements of Stockholders' Equity

	Common Stock		*Additional*		*Cumulative*		*Total*
	Shares	*Amount*	*Paid-In Capital*	*Deferred Compensation*	*Net Income*	*Cumulative Dividends*	*Stockholders' Equity*
Balance at June 3, 1993	185,600	$ 1,856	$ –	$ –	$ –	$ –	$ 1,856
Issuance of stock	6,000,000	60,000	107,586,630	–	–	–	107,646,630
Net income	–	–	–	–	3,950,034	–	3,950,034
Dividends ($.55 per share)	–	–	–	–	–	(3,408,266)	(3,408,266)
Balance at December 31, 1993	6,185,600	61,856	107,586,630	–	3,950,034	(3,408,266)	108,190,254
Issuance of stock	6,582,797	65,828	131,687,588	–	–	–	131,753,416
Shares awarded as deferred stock compensation	35,000	350	686,525	(686,875)	–	–	–
Deferred stock compensation amortization	–	–	–	91,567	–	–	91,567
Net income	–	–	–	–	15,715,588	–	15,715,588
Dividends ($1.75 per share)	–	–	–	–	–	(19,410,538)	(19,410,538)
Balance at December 31, 1994	12,803,397	128,034	239,960,743	(595,308)	19,665,622	(22,818,804)	236,340,287
Issuance of stock	172,349	1,724	3,436,547	–	–	–	3,438,271
Shares awarded as deferred stock compensation	1,050	10	21,515	(21,525)	–	–	–
Deferred stock compensation amortization	–	–	–	138,545	–	–	138,545
Net income	–	–	–	–	18,257,616	–	18,257,616
Dividends ($1.83 per share)	–	–	–	–	–	(23,726,926)	(23,726,926)
Balance at December 31, 1995	12,976,796	$129,768	$243,418,805	$(478,288)	$37,923,238	$(46,545,730)	$234,447,793

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 1995	1994	Period from June 3, 1993 (commencement of operations) through December 31, 1993
OPERATING ACTIVITIES			
Net income	**$ 18,257,616**	$ 15,715,588	$ 3,950,034
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	**8,124,374**	5,419,702	2,291,865
Gain on sale of property	**(220,140)**	–	–
Increase in deferred income	**313,837**	232,734	36,224
Increase in receivables	**(741,161)**	(579,894)	(49,487)
(Increase) decrease in other assets	**(178,886)**	309,469	(34,727)
Increase in accounts payable and accrued liabilities	**1,181,278**	186,161	156,997
Net cash provided by operating activities	**26,736,918**	21,283,760	6,350,906
INVESTING ACTIVITIES			
Acquisition of real estate properties	**(50,037,235)**	(130,795,615)	(135,116,136)
Acquisition of subsidiary	**(380,000)**	–	–
Proceeds from sale of real estate	**4,800,000**	–	–
Receipt (disbursement) of security deposits	**(257,282)**	412,114	4,407,658
Net cash used in investing activities	**(45,874,517)**	(130,383,501)	(130,708,478)
FINANCING ACTIVITIES			
Borrowings on short-term notes payable	–	–	2,350,000
Borrowings on long-term notes payable	**121,700,000**	40,300,000	24,000,000
Repayments on short-term notes payable	–	–	(2,350,000)
Repayments on long-term notes payable	**(69,105,000)**	(37,018,633)	(3,000,000)
Deferred financing and organization costs paid	**(1,244,980)**	(463,884)	(784,192)
Dividends paid	**(23,726,926)**	(19,410,538)	(3,408,266)
Proceeds from issuance of common stock	**160,428**	126,091,192	107,646,630
Net cash provided by financing activities	**27,783,522**	109,498,137	124,454,172
Increase in cash and cash equivalents	**8,645,923**	398,396	96,600
Cash and cash equivalents, beginning of period	**496,852**	98,456	1,856
Cash and cash equivalents, end of period	**$ 9,142,775**	$ 496,852	$ 98,456
Acquisition of companies:			
Fair value of assets acquired	**$ 5,023,032**	$ –	$ –
Cash paid	**(380,000)**	–	–
Cash payable	**(270,000)**	–	–
Common stock issued	**(3,152,824)**	–	–
Liabilities assumed	**$ (1,220,208)**	$ –	$ –

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization

Healthcare Realty Trust Incorporated (the "Company") was incorporated on May 13, 1992 in the state of Maryland. The Company completed an initial public offering of 6,000,000 shares of common stock (the "Offering") and commenced operations on June 3, 1993 with the receipt of proceeds from the Offering.

The Company was organized to invest in healthcare-related properties located throughout the United States, including ancillary hospital facilities, medical office buildings, physician clinics, long-term care facilities, comprehensive ambulatory care centers, clinical laboratories and ambulatory surgery centers. To generate additional sources of accretive cash flow and to further its strategy of integrating real estate services, during the first quarter of 1995, the Company acquired a leading healthcare real estate management company. As a result of this acquisition, the Company now provides management, leasing and build-to-suit development, and capital for the construction of new facilities as well as for the acquisition of existing properties. As of December 31, 1995, the Company had purchased, developed or had under development 63 properties (the "Properties") for $332,972,982 located in 34 markets in 14 states, which are supported by 14 healthcare-related entities pursuant to long-term leases. The Properties include 34 ancillary hospital facilities, 3 medical office buildings, 7 physician clinics, 11 long-term care facilities, 3 comprehensive ambulatory care centers, 2 clinical laboratories, and 3 ambulatory surgery centers (see Note 3).

Basis of Presentation

The audited financial statements include the accounts of the Company, its wholly owned subsidiaries and certain other affiliated corporations with respect to which the Company controls the operating activities and receives substantially all economic benefits. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Real Estate Properties

Real estate properties are recorded at cost. Transaction fees and acquisition costs are netted with the purchase price as appropriate. No allowance for investment losses is considered necessary. The cost of real properties acquired is allocated between land, buildings and fixtures, and personal property based upon estimated market values at the time of acquisition. Depreciation is provided for on a straight-line basis over the following estimated useful lives:

Buildings and improvements	31.5 or 39.0 years
Personal property	3.0, 5.0 or 7.0 years

Cash and Cash Equivalents

Short-term investments with maturities of three months or less at date of purchase are classified as cash equivalents.

Federal 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 Company must distribute at least 95% 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.

Deferred Costs and Other Assets

Included in deferred costs are charges incurred in obtaining financing and organizational costs. Deferred financing costs are amortized over the term of the related credit facilities. Organizational costs are amortized straight-line over five years. Accumulated amortization of deferred costs was $339,927 and $148,065 at December 31, 1995 and 1994, respectively.

Included in other assets are approximately $4.8 million of property management and development contracts acquired in the purchase of Starr Sanders Johnson, Inc. (See Note 6). Property management and development contracts are amortized straight-line over the contract term. Accumulated amortization of property management and development contracts was $178,420.

Revenue Recognition

Rental income is recognized as earned over the life of the lease agreements. Any additional rent, as defined in each lease agreement, is recognized as earned.

Stock Issued to Employees

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock issued to employees.

Net Income Per Share

Net income per share is computed using the weighted average number of shares outstanding during the period, exclusive of common stock equivalents, which resulted in dilution of less than 3% for the years ended December 31, 1995 and 1994, and for the period from June 3, 1993, through December 31, 1993, respectively.

Supplementary Income Per Common Share

As required by APB Opinion No. 15, "Earnings per Share," supplementary income per common share data is presented for fiscal 1994 to reflect the payment during February 1994 of $23.1 million of outstanding indebtedness using a portion of the proceeds of an offering (see Note 11). For the computation of supplementary income per common share, 1,080,700 common shares issued in the offering whose proceeds were used to retire the debt were assumed to have been issued at the beginning of fiscal 1994, and net income was assumed to have not been reduced by interest expense incurred on the debt. Supplementary income per common share totaled $1.33 for fiscal 1994.

Adoption of New Accounting Rules

In March 1995, the FASB issued Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted Statement No. 121 in the first quarter of fiscal 1995; the effect of adoption was not material.

Reclassifications

Certain reclassifications have been made in the financial statements for the year ended 1994 and for the period from June 3, 1993 to December 31, 1993 to conform to the 1995 presentation. These reclassifications had no effect on the results of operations as previously reported.

2. Real Estate Property Leases

The Company's properties are generally leased pursuant to noncancelable, fixed-term operating leases with expiration dates from 2003 to 2013. Some leases provide for fixed rent renewal terms of five years, or multiples thereof, in addition to market rent renewal terms. The leases generally provide the lessee, during the term of the lease and for a short period thereafter, with the right of first refusal to purchase the leased property on the same terms and conditions as an acceptable third party offer.

Each lease generally requires the lessee to pay minimum rent, additional rent based upon increases in the Consumer Price Index or increases in net patient revenues (as defined in the lease agreements), and all taxes (including property tax), insurance, maintenance and other operating costs associated with the leased property. Additional rents earned for the years ended December 31, 1995 and 1994, and for the period from June 3, 1993 through December 31, 1993, were not material.

Amounts of base rental income received from lessees who accounted for more than 10% of the Company's rental income for the year ended December 31, 1995 were: Columbia/HCA Healthcare Corporation — $10,713,960 and OrNda HealthCorp — $7,257,939. Amounts of base rental income received from lessees who accounted for more than 10% of the Company's base rental income for the year ended December 31, 1994 were: Columbia/HCA Healthcare Corporation — $5,667,948 and OrNda HealthCorp — $4,086,002. Amounts of base rental income received from lessees who accounted for more than 10% of the Company's base rental income for the period from June 3, 1993 through December 31, 1993 were: Columbia Healthcare Corporation — $1,083,771; HCA–Hospital Corporation of America — $750,646; PhyCor, Inc. — $844,282; Valley Presbyterian Hospital — $1,028,037; Transitional Health Services, Inc. — $984,339; and Huebner Medical Center — $713,000.

Future minimum lease payments under the noncancelable operating leases as of December 31, 1995 are as follows:

1996	$ 33,892,043
1997	33,929,003
1998	33,989,223
1999	34,050,928
2000	34,114,135
2001 and thereafter	241,184,556
	$ 411,159,888

3. Real Estate Properties

The following table summarizes the Company's real estate properties by type of facility and by state as of December 31, 1995.

	Number of Facilities	Land	Buildings and Improvements and CIP	Personal Property	Total	Accumulated Depreciation
Ancillary hospital facilities:						
Arizona	1	$ 308,070	$ 4,965,923	$ –	$ 5,273,993	$ 400,750
California	7	15,169,012	30,501,731	38,504	45,709,247	1,484,889
Florida	7	577,328	39,300,623	–	39,877,951	1,376,241
Georgia	5	1,965,210	32,409,525	38,409	34,413,144	980,588
Kansas	1	–	2,434,317	–	2,434,317	–
Tennessee	1	395,056	2,743,834	–	3,138,890	111,121
Texas	8	6,444,802	45,245,283	259,535	51,949,620	3,039,870
Virginia	4	2,787,142	20,207,281	–	22,994,423	743,676
	34	27,646,620	177,808,517	336,448	205,791,585	8,137,135
Ambulatory surgery centers:						
California	1	209,246	828,613	8,370	1,046,229	69,859
Nevada	1	940,000	2,860,571	–	3,800,571	106,966
Texas	1	509,891	1,514,376	15,296	2,039,563	127,674
	3	1,659,137	5,203,560	23,666	6,886,363	304,499
Comprehensive ambulatory care:						
Florida	1	–	3,817,706	–	3,817,706	–
Texas	2	1,642,773	18,496,411	60,148	20,199,332	999,282
	3	1,642,773	22,314,117	60,148	24,017,038	999,282
Clinical laboratories:						
Alabama	1	180,633	8,601,151	8,028	8,789,812	696,981
Mississippi	1	537,660	3,718,165	29,660	4,285,485	219,922
	2	718,293	12,319,316	37,688	13,075,297	916,903
Long-term care facilities:						
California	1	1,361,952	11,325,746	–	12,687,698	399,305
Colorado	1	1,651,477	4,579,039	–	6,230,516	161,440
Florida	1	–	4,438,409	–	4,438,409	–
Indiana	1	96,059	3,511,750	32,331	3,640,140	294,947
Michigan	5	193,096	10,494,003	182,986	10,870,085	912,185
Texas	2	–	4,562,429	–	4,562,429	–
	11	3,302,584	38,911,376	215,317	42,429,277	1,767,877
Medical office buildings:						
Texas	1	166,123	1,691,334	–	1,857,457	63,823
Virginia	2	107,473	1,706,875	126,790	1,941,138	183,034
	3	273,596	3,398,209	126,790	3,798,595	246,857
Physician clinics:						
Florida	3	3,558,945	15,471,386	50,781	19,081,112	948,927
California	1	392,785	331,685	–	724,470	5,315
Georgia	1	586,435	2,087,444	–	2,673,879	95,883
Texas	2	1,654,025	10,930,721	385,104	12,969,850	761,090
	7	6,192,190	28,821,236	435,885	35,449,311	1,811,215
Corporate property	–	–	–	1,525,516	1,525,516	308,878
Total property	63	$ 41,435,193	$ 288,776,331	$ 2,761,458	$ 332,972,982	$ 14,492,646

4. Notes and Bonds Payable

Notes and bonds payable at December 31, 1995 and 1994 consisted of the following:

	December 31, 1995	December 31, 1994
Senior Notes	**$ 90,000,000**	$ –
Senior credit facility	**–**	37,300,000
Serial and term bonds payable	**2,970,000**	3,075,000
	$ 92,970,000	$ 40,375,000

Senior Notes

On September 18, 1995, the Company privately placed $90,000,000 of unsecured Senior Notes (the "Senior Notes") with 16 credit institutions. The Senior Notes bear interest at 7.41%, payable semiannually, and mature on September 1, 2002. Beginning on September 1, 1998 and on each September 1 through 2002, the Company must repay $18,000,000 of principal. The note agreements pursuant to which the Senior Notes were purchased contain certain representations, warranties and financial and other covenants customary in such loan agreements.

Senior Credit Facility

The Company has a $75,000,000 Senior Unsecured Revolving Credit Facility (the "Senior Credit Facility") with four commercial banks.

The Senior Credit Facility matures August 2, 1997. At the option of the Company, borrowings bear interest at one of the banks' base rate or LIBOR plus 1.25%. In addition, the Company pays a commitment fee of .25 of 1% per annum on the unused portion of funds available for borrowings under the Senior Credit Facility. Under covenants of the Senior Credit Facility, the Company is generally required to maintain minimum stockholders' equity of $200,000,000 and meet certain other financial covenants.

At December 31, 1995, the Company had available borrowing capacity of the total $75,000,000 under the Senior Credit Facility.

Serial and Term Bonds Payable

In conjunction with the acquisition of certain facilities (see Note 3), the Company assumed an obligation for $1,095,000 of Serial Bonds and $1,980,000 of Term Bonds (collectively, the "Bonds"). The obligation is secured by a deed of trust and security agreement granting the issuer a first mortgage lien and security interest in these properties and by assignment of and a security interest in the tenant leases of these properties. The Bonds pay interest semiannually at interest rates ranging from 6.9% to 8.1% and mature at annual intervals through 2010 in amounts ranging from $115,000 to $320,000.

Other Long-Term Debt Information

Future maturities of long-term debt are as follows:

1996	$ 115,000
1997	120,000
1998	18,130,000
1999	18,140,000
2000	18,150,000
2001 and thereafter	38,315,000
	$ 92,970,000

During the years ended December 31, 1995 and 1994 and the period from June 3, 1993, through December 31, 1993, interest paid totaled $2,984,695, $1,268,680 and $216,533, and capitalized interest totaled $888,238, $424,675 and $0, respectively.

5. Security Deposits

The Company is currently obligated to certain lessees, under executed sale and purchase agreements, for security and related deposits in an aggregate amount of $4,562,490 and $4,819,772 at December 31, 1995 and 1994, respectively. These security deposits are repayable at various times, typically upon expiration of the lease, and generally bear interest at the First National Bank of Boston or NationsBank prime rate, payable annually.

The security deposits were negotiated with lessees as part of the terms of the sale and purchase agreements as collateral for lessee performance for future rental payments and property maintenance in accordance with the lease agreements. These funds are unrestricted according to the terms of the lease contracts and may be used at the Company's discretion.

6. Acquisitions and Disposition

During June 1994, the Company acquired two ancillary hospital facility complexes in exchange for an aggregate of 328,322 shares of the Company's common stock (valued at $6,898,944) and the assumption of $13,018,633 of notes payable, $3,075,000 of bonds payable and $623,465 of accounts payable and accrued liabilities. In addition to the facilities, representing an aggregate investment of $21,774,433, the Company acquired cash of $1,258,910, accounts receivable of $7,719, restricted cash of $455,910, and other assets of $119,071. During the first week of July 1994, the Company repaid the $13,018,633 of notes payable assumed in the acquisitions.

Effective January 1, 1995, the Company through its wholly owned subsidiary, Healthcare Realty Management Incorporated, purchased substantially all of the assets of and assumed certain liabilities of Starr Sanders Johnson, Inc., a provider of property management and development services to health-care companies, for approximately $3,800,000. The purchase price consisted of $650,000 cash and 156,239 shares of the Company's common stock (valued at approximately $3,150,000). The acquisition was accounted for using the purchase method of accounting.

Pro forma information has not been presented due to the immaterial impact of the acquisition on revenues, net income, and net income per share.

On October 31, 1995, the Company sold a 24,189-square-foot ancillary hospital facility in Van Nuys, California for $4,800,000. The property was sold to the lessee, pursuant to provisions in the Company's lease agreement, due to hidden structural damages suffered in the January 1994 Northridge earthquake that rendered the facility unusable for its intended purpose.

7. Benefit Plans

Executive Retirement Plan

The Company has an Executive Retirement Plan, under which an executive designated by the Compensation Committee of the Board of Directors may receive upon normal retirement (defined to be when the executive reaches age 65 and has completed five years of service with the Company) 60% of that executive's final average earnings (defined as the average of the executive's highest three years' earnings) plus 6% of final average earnings times years of service after age 60 (but not more than five years), less 100% of benefits paid to the executive from any basic retirement plan of the Company that covers all employees and from social security.

Retirement Plan for Outside Directors

The Company has a retirement plan for outside directors which upon retirement will pay annually, for a period not to exceed 15 years, an amount equal to the director's pay immediately preceding retirement from the Board.

Retirement Plan Information

Net expense for both the Executive Retirement Plan and the Retirement Plan for Outside Directors (the "Plans") for the years ended December 31, 1995 and 1994 and for the period from June 3, 1993 through December 31, 1993 was $189,289, $170,446, and $27,000, respectively. The net retirement expense for the periods is comprised of the following:

		1995		1994		1993
Service cost	$	**367,864**	$	294,528	$	65,300
Interest cost		**40,431**		13,099		–
Other cost		**3,870**		3,389		–
Amount allocated to property acquisition costs		**(222,876)**		(140,570)		(38,300)
	$	**189,289**	$	170,446	$	27,000

The Plans are unfunded and benefits will be paid from earnings of the Company. The following table sets forth the benefit obligations at December 31, 1995 and 1994.

		1995		1994
Actuarial present value of benefit obligations:				
Vested	$	–	$	–
Accumulated	$	**345,855**	$	205,827
Actual present value of projected benefit obligations for services rendered to date	$	**913,682**	$	469,929
Unrecognized net loss		**(112,901)**		(81,313)
Net pension liability in accrued liabilities	$	**800,781**	$	388,616

Assumptions used in accounting for the retirement plans for the years ended December 31, 1995 and 1994, and the period from June 3, 1993 to December 31, 1993, were as follows:

	Executive Retirement Plan	Retirement Plan for Outside Directors
Discount rates	8%	8%
Compensation increase rate	5%	Not Applicable

Deferred Compensation Plan

The Company has a Deferred Compensation Plan, under which eligible participants may elect to defer and invest a portion of their compensation. One-half of the deferred amount will be matched by the Company up to 4% of a participant's gross compensation for the plan year. All amounts in an account of a participant are fully vested at all times and may be withdrawn by a participant 30 days following such participant's termination of employment. No expense was incurred with respect to this plan for the years ended December 31, 1995 or 1994, or for the period from June 3, 1993 to December 31, 1993.

401(k) Profit Sharing Plan

Effective January 1, 1995, the Company adopted a 401(k) Profit Sharing Plan (the "401(k) Plan") pursuant to which eligible participants may elect to defer and invest up to 20% of their compensation, and the Company may choose to match all or a portion of such deferred amounts. The 401(k) Plan is available to all full-time employees of the Company who have completed at least one year of service as of a quarterly plan entry date. All amounts in a participant's account allocable to contributions by the participant are fully vested at all times while amounts in a participant's account allocable to contributions by the Company vest according to a graduated schedule with full vesting after six years of service. During 1995, the Company matched 25% of participant elective deferral contributions, resulting in expense of $2,062.

8. Stock Incentive Plans

1993 Employees Stock Incentive Plan

The Company may issue stock representing up to 7.5% (increased from 5% at December 31, 1994) of its outstanding shares of common stock (973,260 and 640,170 shares at December 31, 1995 and 1994, respectively), under the 1993 Employees Stock Incentive Plan (the "Employee Plan"). Under the Employee Plan, the Employee Stock Option Committee appointed by the Board of Directors may grant to employees performance-based restricted stock awards or options to purchase shares of the Company's common stock for terms not longer than 10 years, at prices to be determined by the Board of Directors or the Employee Stock Option Committee, which may not be less than 95% of the fair market value of the common stock on the date of grant. Incentive stock awards or options granted under the Employee Plan may be subject to any conditions set by the Employee Stock Option Committee, may be exercised by payment of cash, shares valued at fair market value, or, at the option of the Employee Stock Option Committee, by a note secured by shares. Unless terminated earlier, the Employee Plan will terminate on January 1, 2003.

In May 1994, the Company awarded 15,000 shares of restricted common stock to an officer of the Company as an inducement to enter the Company's employment, and 20,000 shares of restricted common stock as an advance award of long-term incentive compensation, each pursuant to the Employee Plan. The restricted shares were awarded with a fixed restriction period of five years. The officer has the right to receive cash dividends and the right to vote the restricted shares. If the officer voluntarily terminates his employment with the Company before the end of the five-year restriction period, the shares will be forfeited to the Company at no cost.

Pursuant to an implementation of the Employee Plan, the Company may award up to 445,000 shares of restricted common stock to three key officers. The award of these shares to the recipients is contingent upon the achievement of certain Company-based performance criteria, and the shares, once awarded, vest in the recipients over a five-year period. In January 1996, the first of the three performance benchmarks was attained, and 141,666 shares of restricted common stock were awarded.

As of December 31, 1995 and 1994, options to purchase 222,000 and 225,000 shares, respectively, (at $19.50 per share) were outstanding under the Employee Plan, all of which were exercisable as of December 31, 1995. Options available for future issuance under the plan covered 716,260 and 380,170 shares at December 31, 1995 and 1994, respectively. On January 23, 1996 all 222,000 unexercised options were cancelled, and employees were issued an aggregate 53,477 shares of restricted stock.

1993 Outside Directors Stock Incentive Plan

The Company may issue stock options for up to 2% of its outstanding shares of common stock (259,536 and 256,068 shares at December 31, 1995 and 1994, respectively) under the 1993 Outside Directors Stock Incentive Plan (the "Director Plan"). The Director Plan became effective as of June 3, 1993. Under the Director Plan, each member of the Board of Directors of the Company who is not an employee of the Company, its subsidiaries or affiliates received an option to purchase 3,000 shares of common stock at an exercise price equal to the Offering price. Each director also received an option to purchase an additional 3,000 shares on January 1, 1994 at an exercise price equal to the market price of the common stock on the date of grant. The options, which may not be exercised for one year from the date of grant, terminate ten years from the date of grant.

As of December 31, 1995 and 1994, options to purchase 19,530 shares at $19.50 per share and 21,000 shares at $22.38 per share were outstanding under the Director Plan, all of which were exercisable as of December 31, 1995. Options available for future issuance under the plan covered 217,536 and 214,068 shares at December 31, 1995 and 1994, respectively. On January 23, 1996 all 40,530 unexercised options were cancelled, and directors were issued an aggregate 7,804 shares of restricted stock. During 1994, the Company issued 1,470 shares (at $19.50 per share) for options exercised pursuant to the Director Plan.

1995 Restricted Stock Plan for Non-Employee Directors

Effective May 16, 1995, the Company enacted the 1995 Restricted Stock Plan for Non-Employee Directors (the "Directors' Restricted Plan") pursuant to which the Company may issue up to 100,000 shares of common stock. Under the Directors' Restricted Plan, each member of the Board of Directors of the Company as of the conclusion of the Company's annual meeting of shareholders who is not an employee of the Company, its subsidiaries or affiliates receives a grant of 150 shares of common stock. Shares of common stock granted under the Directors' Restricted Plan vest in each Director upon the date three years from the date of grant and are subject to forfeiture prior to such date upon termination of the Director's service. During 1995, the Company granted 1,050 shares of common stock under the Directors' Restricted Plan. For 1995, compensation expense resulting from the amortization of shares granted under the Directors' Restricted Plan was $1,196.

As of December 31, 1995, the Company had reserved 98,950 shares for future issuance under the Directors' Restricted Plan.

1995 Employee Stock Purchase Plan

Effective May 16, 1995, the Company adopted an Employee Stock Purchase Plan (the "Employee Purchase Plan") pursuant to which the Company may issue up to 1,000,000 shares of common stock. Under the Employee Purchase Plan, each eligible employee as of May 16, 1995 and each subsequent January 1 (the "Grant Dates") has been or shall be granted an option to purchase up to $25,000 of common stock, the number of shares becoming fixed upon the Grant Date, at the lesser of 85% of the market price on the Grant Date or 85% of the market price on the date of exercise of such option (the "Exercise Date"), but at not less than book value per share as of the immediately preceding December 31. Eligible employees include those employees who were employed by the Company or a subsidiary on a full-time basis as of May 16, 1995 and those employees with six months of service who are employed by the Company or a subsidiary as of each subsequent Grant Date. Options granted under the Employee Purchase Plan expire if not exercised 27 months after each such options Grant Date.

As of December 31, 1995 the Company had issued options to purchase 47,268 shares of common stock under the Employee Purchase Plan, and no options had been exercised.

9. Commitments

At December 31, 1995, the Company, in the normal course of business, had received fully executed letters of intent to fund development of two properties for approximately $14,754,000. In addition, as of December 31, 1995, the Company had a net investment of approximately $15,300,000 for five lessee developments in progress with a total funding commitment of approximately $33,600,000.

10. Related Party Transaction

In June 1993, the Company reimbursed approximately $1,825,000 of actual costs incurred by The Emery Partnership (a partnership controlled by the President of the Company) and its affiliates on behalf of the Company in connection with the Company's initial public offering, including salaries of $227,000 accrued from January 1, 1993 through May 31, 1993 for David R. Emery, Timothy G. Wallace, Kenneth D. Stach, and Fredrick M. Langreck. Such reimbursement also included a consultant's fee that Mr. Langreck was paid for services performed in 1992 on behalf of the Company, reimbursement to The Emery Partnership for a portion of its rent and office expenses, and $1,464,000 for payments to unaffiliated third parties for services rendered on behalf of the Company.

Two of the Company's properties were purchased in June 1993, for an aggregate of $14,421,250 from, and are leased by the Company to, PhyCor, Inc. The amount of rental income received from Phycor was $1,653,415 and $1,623,091 for the years ended December 31, 1995 and 1994, respectively, and $844,282 for the period from June 3, 1993, through December 31, 1993. A director of the Company is a founder and Executive Vice President of PhyCor, Inc. The director received no personal benefit as a result of this transaction.

11. Stockholders' Equity, Options and Warrants

On February 16, 1994, the Company completed a secondary offering of 6,250,000 shares of common stock. Proceeds from the secondary offering, net of underwriting discounts and commissions and securities issuance expenses, were approximately $125,200,000.

At December 31, 1995, the Company had reserved 2,295,276 shares for issuance under the Employee Plan, the Director Plan, the Directors' Restricted Plan and the Employee Purchase Plan. At December 31, 1994, the Company had reserved 859,768 shares for issuance under the Employee Plan and the Director Plan.

During 1995 and 1994, the Company issued 16,110 shares for proceeds of $313,911 and 3,005 shares for proceeds of $56,959, respectively, pursuant to the Company's Dividend Reinvestment Plan. At December 31, 1995 and 1994, the Company had 980,885 and 996,995 shares, respectively, reserved for future issuance under the Dividend Reinvestment Plan.

In connection with the acquisition of certain properties, the Company issued warrants to purchase up to 188,712 additional reserved shares of common stock (the "Warrants"). The Warrants are exercisable for a period of four years commencing July 1, 1994 at a price of $19.50 per share, subject to adjustment under applicable antidilution provisions. The holders of the Warrants and underlying common stock have the right to require the Company to include the common stock underlying such Warrants in any registration statement filed by the Company at the Company's expense.

12. Other Data

Funds From Operations

Funds from operations, as defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), means net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization.

The Company considers funds from operations to be an informative measure of the performance of an equity REIT and consistent with measures used by analysts to evaluate equity REITs. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles, is not necessarily indicative of cash available to fund cash needs, and 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 as a measure of liquidity. Funds from operations for the years ended December 31, 1995 and 1994, and for the period from June 3, 1993, through December 31, 1993 were $26,161,850 ($2.02 per share), $21,135,302 ($1.79 per share) and $6,268,879 ($1.01 per share), respectively.

NAREIT encourages REITs to make reporting changes consistent with the 1995 NAREIT White Paper on Funds from Operations no later than fiscal year 1996. The Company's policy is to announce funds from operations for 1995 calculated according to the historical definition of funds from operations published by NAREIT in 1991 and to provide supplemental information illustrating the calculation of funds from operations under the 1995 NAREIT White Paper.

	Year ended December 31, 1995	
	Historical Basis as Announced	1995 NAREIT White Paper
Net income	$ 18,257,616	$ 18,257,616
Depreciation of real estate	7,452,925	7,452,925
Depreciation of company office furniture and equipment	114,135	–
Total adjustment for depreciation	7,567,060	7,452,925
Amortization of property management contracts (1)	178,420	–
Amortization of company office leasehold improvements	125,988	–
Amortization of organization costs	5,400	–
Total adjustment for amortization (2)	309,808	–
Amortization of deferred financing costs	247,506	–
Extraordinary/nonrecurring items	–	–
Gains or losses on asset dispositions	(220,140)	(220,140)
Straight-line rents	–	–
Total adjustments for other items	27,366	(220,140)
Total adjustments	7,904,234	7,232,785
Funds from operations	$ 26,161,850	$ 25,490,401
Weighted average shares outstanding	12,967,132	12,967,132
Funds from operations per share	$ 2.02	$ 1.97

(1) Amortization of acquired revenue producing property management contracts.

(2) Excluding amortization of deferred financing costs reported as interest expense.

Return of Capital

Distributions in excess of net income generally constitute a return of capital. For the years ended December 31, 1995 and 1994, dividends paid per share were $1.83 and $1.75, respectively, which consisted of ordinary income per share of $1.42 and $1.59 and return of capital per share of $.41 and $.16, respectively. Due to the timing of actual distributions, all of the dividends paid during the period from June 3, 1993, through December 31, 1993 were taxable as ordinary income.

13. Financial Instruments

Off Balance Sheet Risk

At December 31, 1995, the Company held letters of credit, which serve to guarantee certain healthcare providers obligations outstanding, totaling $1,309,219.

Fair Value of Financial Instruments

The carrying amounts of cash and receivables are a reasonable estimate of their fair value due to their short-term nature. The fair value of notes and bonds payable is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 1995		December 31, 1994	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 9,142,775**	**$ 9,142,775**	$ 496,852	$ 496,852
Receivables	**$ 1,378,261**	**$ 1,378,261**	$ 637,100	$ 637,100
Notes and bonds payable	**$ 92,970,000**	**$ 94,561,530**	$ 40,375,000	$ 40,375,000

14. Subsequent Events

On January 23, 1996, the Company declared an increase in its quarterly dividend from $.465 per share ($1.86 annualized) to $.47 per share ($1.88 annualized) payable on February 15, 1996 to shareholders of record on February 2, 1996.

15. Selected Quarterly Financial Data (Unaudited)

Quarterly financial information for the years ended December 31, 1995 and 1994 is summarized below:

	Quarter ended			
	March 31	June 30	September 30	December 31
1995				
Total revenue	**$ 7,894,137**	**$ 7,978,111**	**$ 8,376,569**	**$ 9,112,344**
Net income	**$ 4,505,272**	**$ 4,519,300**	**$ 4,526,268**	**$ 4,706,776**
Funds from operations	**$ 6,419,911**	**$ 6,481,561**	**$ 6,557,404**	**$ 6,702,974**
Net income per share	**$ 0.35**	**$ 0.35**	**$ 0.35**	**$ 0.36**
Funds from operations per share	**$ 0.50**	**$ 0.50**	**$ 0.51**	**$ 0.52**
1994				
Total revenue	$ 4,200,827	$ 5,729,594	$ 6,582,959	$ 7,713,043
Net income	$ 2,577,469	$ 4,273,101	$ 4,162,354	$ 4,702,664
Funds from operations	$ 3,562,045	$ 5,438,045	$ 5,826,981	$ 6,308,231
Net income per share	$ 0.28	$ 0.34	$ 0.33	$ 0.37
Funds from operations per share	$ 0.39	$ 0.44	$ 0.46	$ 0.50

BOARD OF DIRECTORS

David R. Emery
Chairman of the Board
President
Healthcare Realty Trust Incorporated

Batey M. Gresham, Jr., AIA
Healthcare Architect
Founder
Gresham Smith & Partners

Errol L. Biggs, Ph.D.
Healthcare Academician
Director
Center for Health Administration
University of Colorado

Marliese E. Mooney
Consultant
Hospital Operations

Thompson S. Dent
Physician Group Practice
Executive Vice President
PHYCOR, Inc.

Edwin B. Morris III
Real Estate Financial Executive
Managing Director
Morris & Morse

C. Raymond Fernandez, M.D.
Physician
Medical Director
Nalle Clinic

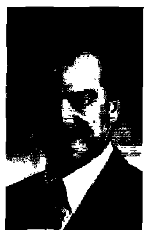
J. Knox Singleton
Healthcare Provider Executive
Chief Executive Officer
INOVA Health Systems

Healthcare Realty Trust

Corporate Officers

David R. Emery
Chairman of the Board and President

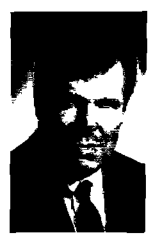
Timothy G. Wallace
Vice-President Finance and Chief Financial Officer



Fredrick M. Langreck
Treasurer & Controller

Kenneth D. Stach
Vice-President Acquisitions

Rita H. Todd
Corporate Secretary



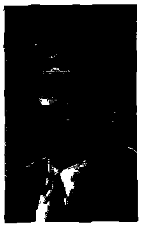
Roger O. West
Senior Vice-President Acquisitions
General Counsel

HEALTHCARE REALTY MANAGEMENT

CORPORATE OFFICERS

Bart Starr
Chairman of the Board

Rance M. Sanders
President



Roland H. Hart, CPM
Senior Vice President / Management

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NationsBank Plaza
414 Union St.
Nashville, TN 37219-1779

Transfer Agent
Transfer of Shares:
Boston EquiServe
Stock Transfer Department
P.O. Box 1865
Mail Stop 45-02-62
Boston, MA 02105-1865
Phone: (617) 575-3400
CUSIP #: 421946104

Street Address for Courier Service:
Boston EquiServe
Blue Hills Office Park
Mail Stop 45-02-62
150 Royall Street
Canton, MA 02021-1031

General Questions:
Boston EquiServe
P.O. Box 1865
Mail Stop 45-02-62
Boston, MA 02105-1865
Phone: (617) 575-3400

Annual Shareholders Meeting
The annual meeting of shareholders will be held on May 14, 1996, at 10:00 a.m. at the Cumberland Club, 511 Union Street, Nashville, TN.

World Wide Web Address
http://www.hr.gspnet.com

Dividend Reinvestment Plan
A Dividend Reinvestment Plan is offered as a convenience to stockholders who wish to increase their holdings in the Company. Additional shares may be purchased, without a service or sales charge, through automatic reinvestment of quarterly cash dividends. For information write Investor Relations, Boston EquiServe, 150 Royall Street, Canton MA 02021 or call (617) 575-3400.

Form 10K
The Company has filed an Annual Report on Form 10K for the year ended December 31, 1995, with the Securities and Exchange Commission. Shareholders may obtain a copy of this report, without charge, by writing: Investor Relations, Healthcare Realty Trust, Inc., 3310 West End Avenue, Suite 400, Nashville, TN 37203. Or, via e-mail: hrinfo@hrt.healthcare.msmail.sprint.com

Member:
National Association of Real Estate Investment Trusts, Inc. (NAREIT)

Common Stock
Healthcare Realty Trust Incorporated common stock is traded on The New York Stock Exchange under the symbol HR. The following tables show, for the fiscal periods indicated since the Common Stock began trading, the quarterly range of high and low closing sales prices of the common stock.

	1995		1994		1993	
	High	**Low**	High	Low	High	Low
First Quarter	**$ 21**	**$ 19**	$ 22.50	$ 19.375	$	$
Second Quarter	**20.50**	**18.50**	21.375	19.50	19.88	17.75
Third Quarter	**20.75**	**19.375**	22.125	19.875	23.50	19.25
Fourth Quarter	**23**	**20**	21.125	18.375	23.50	19.50

As of March 15, 1996, the company has approximately 12,400 shareholders, including persons or entities holding Common Stock in nominee name, and 871 shareholders of record.