

2014

ANNUAL REPORT



PHYSICIANS REALTY TRUST

Taking care of healthcare's needs, one piece at a time

DOC
LISTED
NYSE

WELCOME TO THE REAL ESTATE TRUST OWNERS

LETTER TO SHAREHOLDERS

As of January 1, 2014 our stock was valued on the New York Stock Exchange at \$12.68 and closed at \$16.60 on December 31, 2014. We have now distributed six consecutive quarterly dividends, one in each quarter, since we went public on July 19, 2013.

When we launched the initial public offering of our company, we owned medical facilities valued at approximately \$124 million and had annual revenues of approximately \$13 million. As of December 31, 2014, we owned medical facilities valued at approximately \$819 million and annual revenues of approximately \$53 million. By the time you receive this letter, we will own medical facilities valued at more than \$1 billion.

We have had tremendous success and our goal is to continue to grow successfully and build our company to last.

OUR VISION FOR THE FUTURE IS ROOTED IN TRUST

This year's theme is "Vision," wherein we continue to see – and pursue – opportunities by cultivating relationships like the ones we formed with Dr. Daniel Grossman of the Eye Center of Southern Indiana and Mark Davis of The Davis Group in Minneapolis-St. Paul, whose case studies you can read on pages five and seven of this report.

As reflected in our Mission Statement, our strategy is to earn the trust of physicians, hospitals, and other healthcare providers by helping them serve their patients, partners, payers, and communities. With innovative and sustainable healthcare facilities and increased access to capital, our clients can increase the quality – and decrease the cost – of the care they provide. By earning that trust in 2014, we completed more than 34 new investments, with over 130 new providers, many of whom were referred to us by existing partners. We consider our healthcare providers our partners and treat them that way so that we can grow together.

Our balance sheet is strong, and we continue to have a focused vision for building a great, long-lasting organization that will produce reliable rising dividends and excellent total shareholder returns.

OUR VISION FOR 2015 AND BEYOND

Our position as the healthcare landlord of choice continues to produce organic growth opportunities. We believe focusing on the physician and provider, and their services to patients, will help us capture the opportunities we see before us and accomplish our long-term goals.

OUR COMMITMENTS FOR 2015

- We will partner with a large number of physicians, hospitals, and other providers to acquire and build a high-quality portfolio of healthcare real estate assets, concentrated in stabilized medical offices, outpatient care and specialized hospitals, diversified both in geography and tenant mix.
- We will maintain a conservative balance sheet that is built for success in both strong and weak economic environments. We ended 2014 with \$216 million in debt, less than 20 percent of our total capitalization. In 2015 we intend to seek an investment grade rating which will help us grow faster and lower our cost of capital.
- We will continue to build a great organization, with both large and small investments in our target healthcare real estate markets. We will build and manage this organization for long-term success. While size and scale is important, our vision is to make the best investments possible to deliver to you, our owners, the total shareholder returns you expect. The case studies included in the annual report are emblematic of the investments furthering this vision.

Thank you. We look forward to seeing you in Milwaukee, on May 7, 2015.

Sincerely,



John T. Thomas
President and CEO



Governor Tommy G. Thompson
Chairman, Board of Trustees



2014 BY THE NUMBERS

Here are some of our capital events, investment metrics and portfolio statistics at a glance.

CAPITAL EVENTS

- In May 2014, we raised \$158 million, priced at \$12.50 per share.
- In September 2014, our first overnight offering raised \$153 million, priced at \$14.50 per share.
- On September 18, 2014, we replaced our secured \$250 million secured line of credit, with a \$400 million unsecured line of credit, with the opportunity to expand to \$750 million as needed.
- During 2014, we raised approximately \$29 million of equity value by issuing operating partnership units (OPUs) to owners of healthcare facilities who contributed their equity ownership in buildings.
- In January 2015, we raised an additional \$311 million, priced at \$16.40 per share.

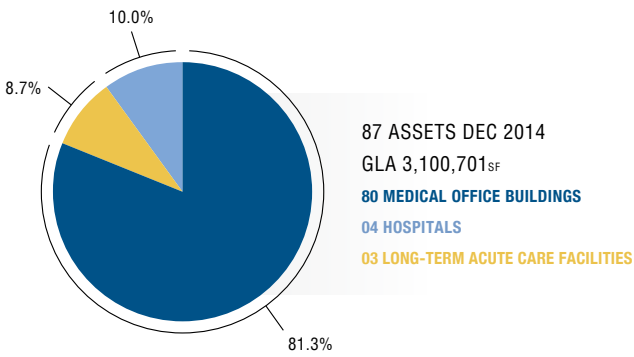
INVESTMENT METRICS

- In July 2013, we owned 19 properties in 12 states, consisting of 528,000 square feet (sf), with an approximate value of \$124 million.
- During 2014, we invested \$565 million and increased the size of our portfolio to 87 properties located in 19 states, containing 3,100,701 square feet, an increase greater than 244%.
- Our annualized revenues have increased from approximately \$13 million to over \$53 million, an increase greater than 308%.

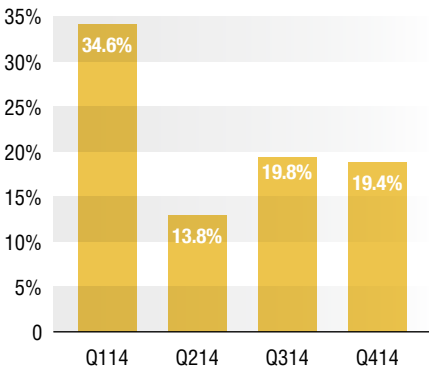
PORTFOLIO STATISTICS

- During 2014, our average occupancy level increased from 90% to over 95%.
- We have increased the percentage of on-campus or healthcare system affiliated facilities from 73% to 77%, and more than 85% of our leases are triple-net or absolute net.
- Our average remaining lease term is now 10 years, compared to less than 7 years at the time of our IPO.
- Our average building size continues to increase as we acquire larger, more comprehensive outpatient care medical facilities.

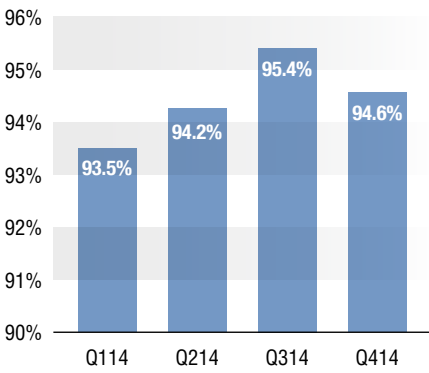
We are proud of these results and we are pleased with the credit quality of our growing tenant base. We believe that the future delivery of healthcare will require large, efficiently run and well-capitalized organizations to be successful.



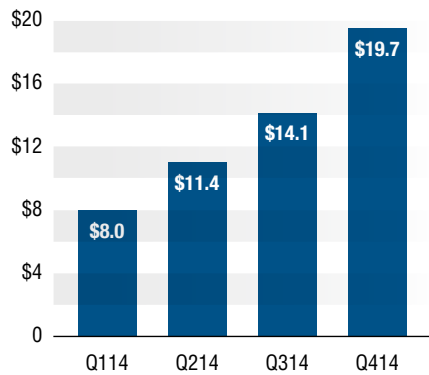
TOTAL DEBT TO ENTERPRISE VALUE



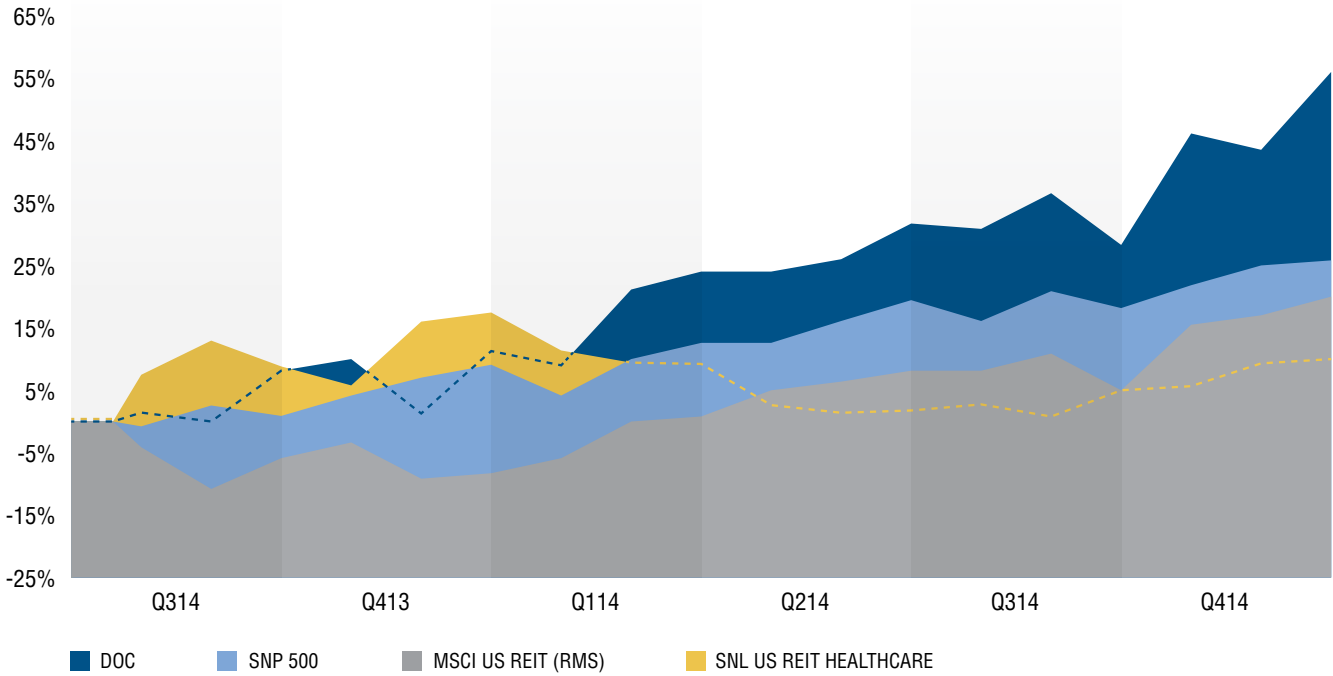
OCCUPANCY



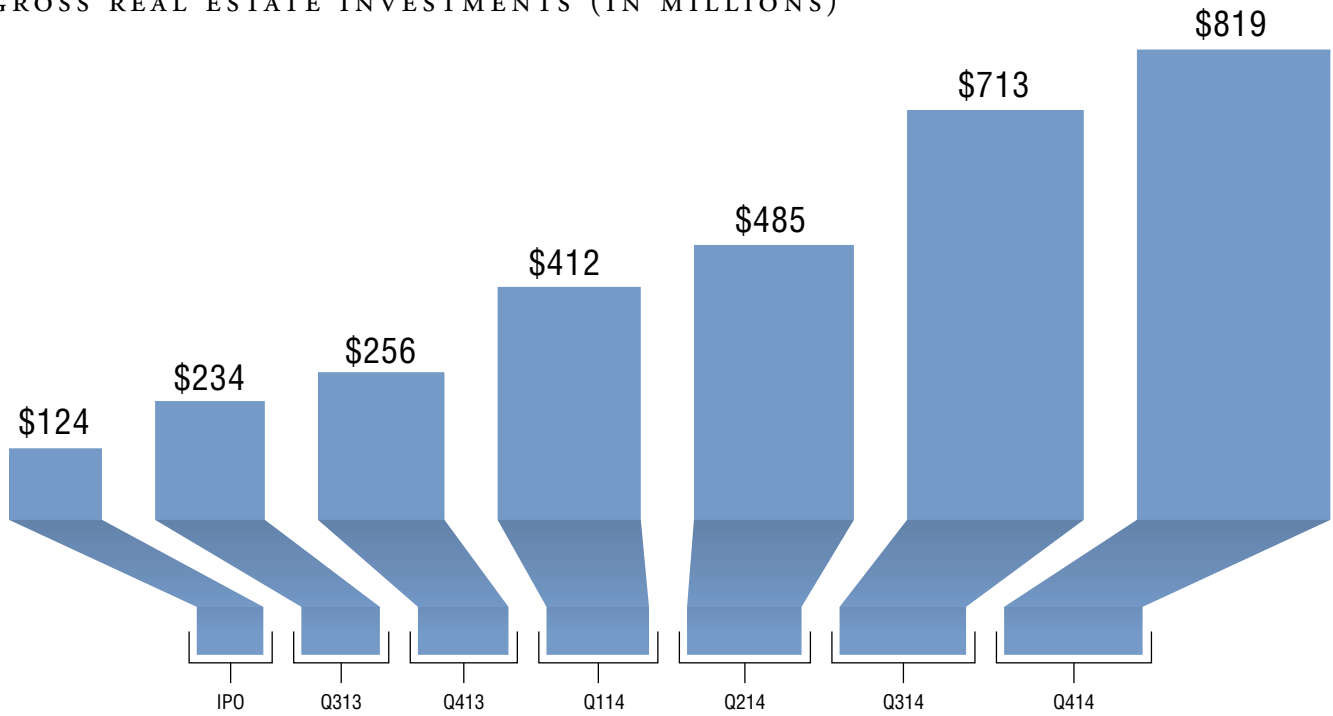
REVENUE IN MILLIONS



TOTAL RETURN ANALYSIS (NYSE: DOC)



GROSS REAL ESTATE INVESTMENTS (IN MILLIONS)



CREATING A VISION FOR CHANGE
FOR AN EYE CENTER – AND ITS OWNER

When it comes to medical facilities, Dr. Dan Grossman of the Eye Center of Southern Indiana knows a thing or two about expansion and growth.

Grossman’s practice began in a 1,200 square foot, three-room facility in Bloomington, Indiana. Within a few years, he doubled the size of his space and was soon looking for an even larger facility. In 1989, he moved into the current space – then 16,000 square feet – that includes an upstairs clinic and downstairs surgery center. By 2000, he once again doubled his space to 32,000 square feet. Today, the practice sees 35,000 patients annually and conducts 4,000 surgeries per year.

“Other than family, the eye center building was one of my favorite things in life. So when Physicians Realty Trust first approached me, I had no interest in selling. At most, I thought maybe I could get a free appraisal out of the process,” jokes Grossman. “So I agreed to meet with them.”

After meeting with John Thomas, President and CEO with Physicians Realty Trust (traded on the NYSE as DOC), Grossman changed his mind about selling. The two discussed DOC’s current investments and future goals and decided to arrange a walkthrough of Grossman’s facility. After the walk-through, Thomas and Grossman met again and this time, an offer was made.

“I was impressed with the organization and the facilities they are purchasing,” Grossman said. “I only had to think about the offer for a minute before saying, ‘Let’s go!’”

Grossman was so impressed with DOC that he – along with his wife and son – decided to invest in the company.

“Usually when you invest in a company, you don’t really know how it will turn out,” Grossman said. “But I know DOC better than any company I’ve ever invested in. The company has created a great culture and it’s because of the leadership from the top down. I have so much confidence in DOC and John Thomas. We share the same vision and it’s the type of group I want to be aligned with.”



EYE CENTER OF SOUTHERN INDIANA
BLOOMINGTON, INDIANA
1 BUILDING, 32,096 SF
\$12 MILLION PURCHASE PRICE



“I was impressed with the organization and the facilities they are purchasing. I only had to think about the offer for a minute before saying, 'Let’s go!’”

DR. DAN GROSSMAN | EYE CENTER OF SOUTHERN INDIANA

CLASS A ALIGNMENT
OF VISION AND STRATEGY

When Mark Davis and The Davis Group decided to sell eight Class A medical buildings, there were several buyers interested in the facilities. However, John Thomas and Physicians Realty Trust (traded on the NYSE as DOC) quickly set themselves apart.

“John is engaging, smart and straightforward,” Davis said. “It didn’t take long to feel confident that he has the integrity to make him and Physicians Realty Trust a great partner. Everyone I have met or dealt with from DOC continues to build on that initial impression.”

Davis says what started as a typical building sales process, quickly evolved into the beginnings of a long-term partnership. His decision to sell to DOC was based on four main factors:

- ♦ **A similar vision for the future** – *Davis looked for a buyer that would take care of his current tenants the same way he would if The Davis Group continued as the majority owner of the buildings.*
- ♦ **A long-term hold** – *Davis wanted a partner that had interest in holding the properties long term. A number of prospective buyers would only commit to a 3-5 year hold-and-sell strategy.*
- ♦ **An opportunity for partnership** – *Davis was interested in staying on as a minority owner in the proprieties and wanted a partner that would allow The Davis Group to continue to manage and lease the buildings.*
- ♦ **A strategic partnership** – *Davis looked for a partner he could build a relationship with that would benefit both organizations.*

“DOC quickly distinguished themselves as a partner that could fulfill all of our major sales and partnership objectives,” said Davis. “I wanted to remain as a long-term partner and was concerned about the treatment of our tenants. These two factors were two fundamental considerations that drove our transaction.”

Davis is looking forward to continuing his partnership with DOC. “I’m comfortable that their goals and objectives are in line with mine and I want to be part of their strategy and vision for the future,” he said.



THE DAVIS GROUP PORTFOLIO

MINNEAPOLIS, MINNESOTA
8 BUILDINGS, 362,654 sf
\$116 MILLION PURCHASE PRICE
ACQUIRED FEBRUARY 17, 2015

MAJOR TENANTS

NORTH MEMORIAL HEALTH CARE
ALLINA HEALTH SYSTEM
FAIRVIEW HEALTH SYSTEM
ESSENTIA HEALTH WEST



“DOC quickly distinguished themselves as a partner that could fulfill all of our major sales and partnership objectives.”

MARK DAVIS | THE DAVIS GROUP

AS OF DECEMBER 31, 2014

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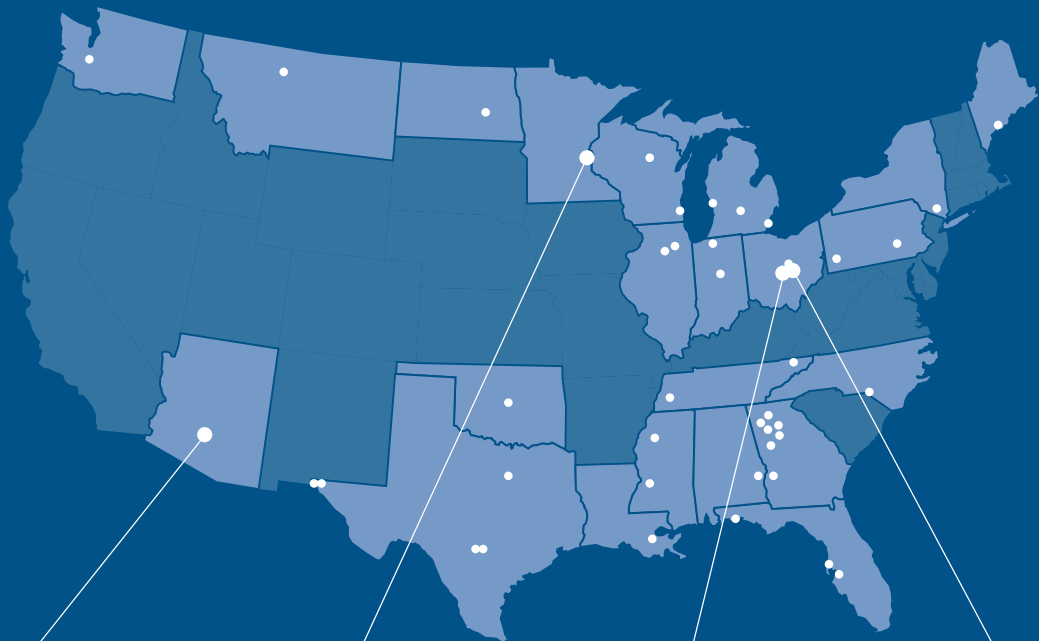
PROPERTIES
TOTALING 3.1M SF

19

STATES ACROSS
THE UNITED STATES

\$565

MILLION INVESTED
IN 2014



SCOTTSDALE HEALTHCARE	CRYSTAL MEDICAL CENTER	ORTHO ONE	ZANGMEISTER CENTER
INPATIENT REHAB FACILITY SCOTTSDALE, ARIZONA 54,418 SF	MEDICAL OFFICE BUILDING CRYSTAL, MINNESOTA 44,865 SF	MEDICAL OFFICE BUILDING COLUMBUS, OHIO 75,873 SF	MEDICAL OFFICE BUILDING COLUMBUS, OHIO 109,667 SF
TENANTS SELECT MEDICAL (NYSE: SEM) SCOTTSDALE HEALTHCARE	TENANTS NORTHWEST FAMILY PHYSICIANS NOVACARE	TENANT ORTHOPEDIC ONE	TENANTS MID OHIO ONCOLOGY MOUNT CARMEL HEALTH SYSTEM

As of February 28, 2015, we have added \$172 million in investments, adding three new states to our portfolio (Washington, North Dakota, Minnesota). Including these newly acquired facilities, we have grown our portfolio from \$124 million in gross real estate assets to over \$990 million today.

SENIOR MANAGEMENT TEAM	TITLE	BOARD OF TRUSTEES	TITLE
John T. Thomas	President, CEO	Governor Tommy G. Thompson	Chairman of the Board
Jeffrey N. Theiler	Executive Vice President, CFO	Albert C. Black	Compensation & Governance Committee Chair
John W. Sweet, Jr.	Executive Vice President, CIO	Stanton D. Anderson	Audit Committee Chair
John W. Lucey	Senior Vice President, Principal Accounting & Reporting Officer	Mark A. Baumgartner	Finance & Investment Committee Chair
Mark D. Theine	Senior Vice President, Asset & Investment Management	Richard A. Weiss	Trustee
Bradley D. Page	Senior Vice President, General Counsel	William A. Ebinger, M.D.	Trustee
		John T. Thomas	President, CEO

GOV. TOMMY G. THOMPSON

JOHN T. THOMAS

JEFFREY N. THEILER

JOHN W. SWEET, JR.

JOHN W. LUCEY

MARK D. THEINE

BRADLEY D. PAGE

ALBERT C. BLACK

STANTON D. ANDERSON

MARK A. BAUMGARTNER

RICHARD A. WEISS

WILLIAM A. EBINGER, M.D.



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Taking care of healthcare's needs, one piece at a time