HEALTHCARE REALTY TRUST

2000

ANNUAL REPORT TO SHAREHOLDERS

Company Profile: Healthcare Realty Trust is a real estate investment trust that integrates owning, managing and developing income-producing real estate properties associated with the delivery of healthcare services throughout the United States. The Company's portfolio is comprised of nine major facility types, located in 32 states, and operated pursuant to contractual agreements with 66 healthcare providers.

The Company has investments of approximately $1.7 billion in 267 real estate properties and mortgages, totaling almost twelve million square feet. The Company provides property or asset management services to more than ten million square feet nationwide.

Healthcare Realty Trust intends to maintain a portfolio of properties that is focused primarily on the outpatient services and medical office segments of the healthcare industry and is diversified by tenant, geographic location and facility type.

2000 *Letter to* SHAREHOLDERS

I am pleased to report Healthcare Realty Trust's eighth profitable year and 30th consecutive profitable quarter as a public company. Our portfolio of high-quality healthcare properties, coupled with the achievements of our services group, generated solid revenue growth. Healthcare Realty Trust's total-return for the year was among the highest of all REITs, influenced by a return of value-motivated investors to the sector and a differentiation of the Company from other healthcare REITs more heavily invested in senior living assets.

DAVID R. EMERY
Chairman of The Board &
Chief Executive Officer

Revenues for 2000 totaled $195.3 million, compared with $187.3 million for 1999. Net income was $79.8 million, or $1.82 per diluted common share, compared with $86.0 million, or $1.99 per diluted common share for the prior year. Funds from operations, composed primarily of net income and depreciation of real estate, totaled $105.65 million on a diluted basis, or $2.62 per diluted common share for the 12-month period. This compares with $105.73 million, or $2.66 per diluted common share for the same period in 1999. Despite an increase in revenues, funds from operations for the Company remained largely unchanged primarily due to higher interest rates.

Since its formation in June 1993, the Company has increased the dividend paid to common shareholders every quarter. Total dividend payments for the calendar year 2000 were $2.23 per common share, compared with $2.15 per common share for the calendar year 1999, an increase of 3.7%. Even with slower growth, the Company has been able to increase its dividend while maintaining one of the lowest payout-ratios in the healthcare REIT sector. The payout-ratio for the year 2000 was 85.1%.

We are proud of these accomplishments and believe they reflect both our exacting investment standards and the quality of our portfolio. Given our operating strengths, low business-risk profile and dedication to shareholder return, we believe the Company is among the best-positioned real estate investment trusts.

HEALTHCARE IN 2000

In an effort to buffer operating margins from government reimbursement policies, much of the healthcare industry's focus shifted in 2000 from integration strategies to improving core operational efficiencies. This shift has led many providers to reevaluate the financial and operational status of their medical real estate, with an eye toward recapitalizing existing assets, partnering with outside firms for the development of new properties, and outsourcing their property and asset management functions. The Health Care Financing Administration (HCFA) recently passed new physician rules giving healthcare providers until January 4, 2004 to comply with Stark regulations. These regulations, which detail the requirement to consider the proximity of a medical office building to a hospital when charging rent to physician tenants, will continue to heighten the hospital community's awareness of the need for skilled medical real estate management and reinforce Healthcare Realty Trust's effort to create long-term relationships.

Well-managed hospital systems, whether for-profit or not-for-profit, have maintained and even increased operating margins despite a third year of Medicare payment reductions, indicating that hospitals are adapting to the changes put in place by the Balanced Budget Act of 1997. Moreover, the political climate for healthcare is promising, with additional Medicare relief expected to add $32-35 billion to the industry over the next five years. Skilled nursing facilities continue to respond to the pressures brought by Medicare's implementation of the prospective payment system (PPS), higher wage costs, and high patient liability costs. Facility operations are beginning to show improvement from revenue increases due to recent Medicare reimbursement relief, occupancy increases and quality-mix improvements.

A Vital Industry

While the healthcare industry adjusts to a rapidly changing landscape, its fundamental strength and related impact on real estate remain intact. The aging population, advances in medical technology and treatments, and a heightened focus on preventive medicine continue to increase demand for healthcare services. Expenditures for services and products are now estimated to total more than $1.2 trillion annually, or 13% of the Gross Domestic Product (GDP), and are projected to grow to $2.6 trillion, 15.9% of GDP by 2010. Healthcare is a stable, non-cyclical industry with compelling fundamentals that support long-term real estate values.

The delivery of healthcare services continues to shift toward outpatient settings. As outpatient services account for an increasingly larger portion of hospital revenues, providers are seeking to expand and create operating efficiencies throughout their network of affiliated clinics and ambulatory care centers. Of the estimated $14 billion in new healthcare facilities developed annually, approximately 60% are outpatient properties. These assets, including ancillary hospital facilities, physician clinics, ambulatory surgery centers, outpatient rehabilitation centers, and medical office buildings, comprise 53% of the Company's current investment portfolio and 100% of its construction-in-progress investments.

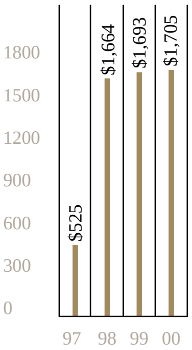
Integrated Real Estate Solutions

Healthcare providers face a continuing need for new capital to fund operational refinements, technology mandates, and mission-related expansions. Providers are looking beyond traditional capital sources and recognize that the capital structure of their medical real estate is crucial to their long-term financial capability. Forming strategic relationships with real estate equity sources and managers has enabled providers to recapitalize their real estate assets and reallocate those funds to more clinical, mission-critical uses. Healthcare Realty Trust's unique investment structure allows providers to preserve operational control of their real estate, while affording increased financial flexibility.

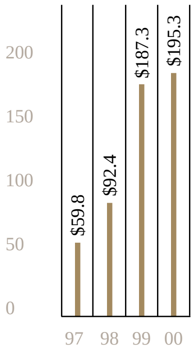
As an integrated real estate company, Healthcare Realty Trust is not only a source of capital, but is also functionally organized to meet the heightened demand for real estate management services. As the largest manager of healthcare-related real estate in the country, the Company provides a continuum of client services, including portfolio assessments, asset valuations, construction services, and property and asset management. Our understanding of the industry and ability to combine capital resources

Healthcare Realty Trust at a Glance:

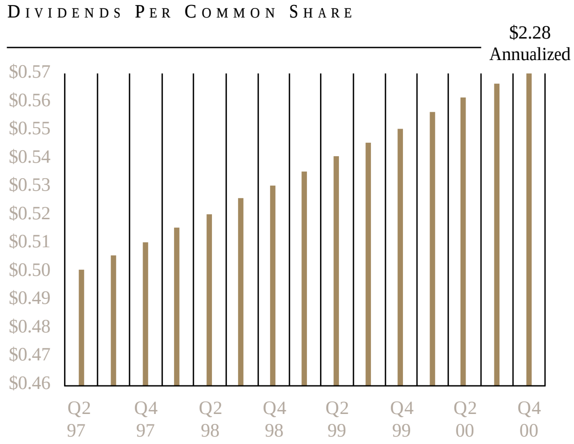
Investments & Commitments
($ in millions)



Revenues
($ in millions)



Dividends Per Common Share



with management and construction expertise adds value for our clients and differentiates Healthcare Realty Trust from other real estate firms.

Building Relationships

Healthcare Realty Trust's strategic goal is to build relationships with leading healthcare providers that align incentives, moderate the inherent risks found in real estate, and enhance financial capabilities. Such relationships often foster additional investments and the opportunity to provide other integrated real estate services over time.

Healthcare Realty Trust has partnered with Baptist Memorial Health Care Corporation of Memphis, Tennessee to construct and own three new medical office facilities located on their campuses in Memphis and Southaven, Mississippi. These buildings mark a milestone in a relationship that will include equity funding for the on-campus buildings, construction management, property management, and strategic advisory services.

The Company remains encouraged by the activity generated from its exclusive, business-partner agreement with VHA Inc., a national alliance of more than 1,900 not-for-profit healthcare organizations. Through this agreement, we are establishing long-term relationships that enhance the financial capabilities of VHA members by not only providing equity for the acquisition or development of real estate properties but also delivering consulting and property management services that can improve operations.

Conservative Financial Management

Healthcare Realty Trust's conservative capital structure continues to differentiate the Company from other healthcare REITs and, as the efficiency of the capital markets improves, positions the Company to take advantage of worthy investment opportunities. We believe quality growth is achieved by focusing only on investments with leading healthcare providers that enable long-term performance while adding economic value.

The Company continues to maintain a low business-risk profile through its prudent use of debt leverage. At year-end, the ratio of debt to total book capitalization was 34.7%. Our investment-grade ratings continue to validate the Company's conservative capital structure and affirm management's risk-adverse philosophy.

The management team is grateful to the Board of Directors and our employees for their energy and commitment. We appreciate our shareholders whose support and involvement provide the foundation for the Company's continued growth.

Sincerely yours,

David R Emery

David R. Emery
Chairman of the Board and CEO

Selected
PROPERTIES

KERLAN JOBE MEDICAL CENTER
Los Angeles, California

RICHMOND MEDICAL BUILDING II
Richmond, Virginia

BAPTIST WOMEN'S MEDICAL OFFICE
Memphis, Tennessee

SUNRISE MOUNTAIN VIEW MEDICAL CENTER
Las Vegas, Nevada

HUEBNER MEDICAL CENTER
San Antonio, Texas

LIBERTY HOSPITAL MEDICAL OFFICE
Liberty, Missouri

LEWIS-GALE CLINIC
Roanoke, Virginia

UNITED MEDICAL CENTER
Cheyenne, Wyoming

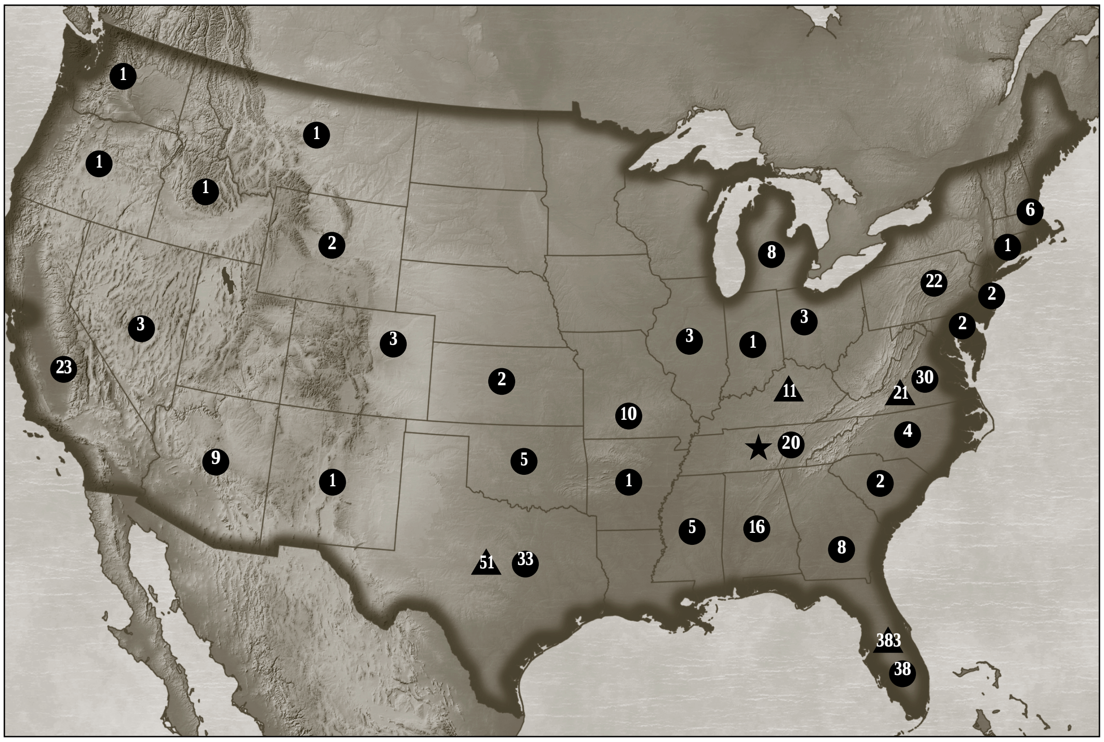
SARASOTA MEDICAL CENTER
Sarasota, Florida

ST. ANDREW'S SURGERY CENTER
Venice, Florida

ORANGE COUNTY REGIONAL CANCER CENTER
Fountain Valley, California

MARY WASHINGTON HOSPITAL MEDICAL OFFICE
Fredericksburg, Virginia

Property LOCATIONS



★ CORPORATE OFFICE ● INVESTMENTS ▲ MANAGED PROPERTIES

Alabama	16	Kansas	2	North Carolina	4
Arizona	9	Kentucky	11	Ohio	3
Arkansas	1	Maryland	2	Oklahoma	5
California	23	Massachusetts	6	Oregon	1
Colorado	3	Michigan	8	Pennsylvania	22
Connecticut	1	Mississippi	5	South Carolina	2
Florida	421	Missouri	10	Tennessee	20
Georgia	8	Montana	1	Texas	84
Illinois	3	Nevada	3	Virginia	51
Indiana	1	New Jersey	2	Washington	1
Idaho	1	New Mexico	1	Wyoming	2

2000 Financial Table of Contents

The following table sets forth financial information for the Company which is derived from the Consolidated Financial Statements of the Company (Dollars in thousands, except per share data):

	Years Ended December 31,				
	2000	1999	1998 (2)	1997	1996
Statement of Income Data:					
Total revenues	$ 195,338	$ 187,257	$ 92,429	$ 59,796	$ 38,574
Interest expense	$ 42,995	$ 38,603	$ 13,057	$ 7,969	$ 7,344
Net income	$ 79,801	$ 86,027	$ 40,479	$ 31,212	$ 19,732
Net income per common share - Basic	$ 1.85	$ 2.02	$ 1.66	$ 1.71	$ 1.52
Net income per common share - Diluted	$ 1.82	$ 1.99	$ 1.63	$ 1.68	$ 1.49
Weighted average common shares outstanding – Basic	39,544,400	39,326,594	24,043,942	18,222,243	13,014,286
Weighted average common shares outstanding – Diluted	40,301,409	39,810,306	24,524,600	18,572,492	13,261,291
Balance Sheet Data *(as of the end of the period):*					
Real estate properties, net	$ 1,358,826	$ 1,315,150	$ 1,337,439	$ 466,273	$ 416,034
Total assets	$ 1,587,076	$ 1,607,964	$ 1,612,423	$ 488,514	$ 427,505
Notes and bonds payable	$ 536,781	$ 563,884	$ 559,924	$ 101,300	$ 168,618
Total stockholders' equity	$ 1,008,037	$ 1,017,903	$ 1,017,704	$ 376,472	$ 245,964
Other Data:					
Funds from operations – Basic (1)	$ 105,378	$ 105,727	$ 59,667	$ 42,337	$ 28,036
Funds from operations – Diluted (1)	$ 105,653	$ 105,727	$ 59,731	$ 42,337	$ 28,036
Funds from operations per common share - Basic (1)	$ 2.66	$ 2.69	$ 2.48	$ 2.32	$ 2.15
Funds from operations per common share - Diluted (1)	$ 2.62	$ 2.66	$ 2.44	$ 2.28	$ 2.11
Dividends declared and paid per common share	$ 2.23	$ 2.15	$ 2.07	$ 1.99	$ 1.91

(1) See Note 11 to Consolidated Financial Statements.

(2) See Note 2 to Consolidated Financial Statements.

OVERVIEW

Healthcare Realty Trust Incorporated (the "Company") operates under the Internal Revenue Code of 1986, as amended (the "Code"), as an indefinite life real estate investment trust ("REIT"). The Company, a self-managed and self-administered REIT, follows a general growth strategy that integrates owning, managing, and developing income-producing real estate properties and mortgages associated with the delivery of healthcare services throughout the United States. Management believes that by providing related real estate services, it can differentiate the Company's competitive market position, expand its asset base and increase revenue.

Substantially all of the Company's revenues are derived from rentals on its healthcare real estate property facilities, interest earned on mortgage loans and 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 the Company's healthcare real estate facilities generally ensure that increased 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.

RESULTS OF OPERATIONS

2000 Compared to 1999

For the year ended December 31, 2000, net income was $79.8 million, or $1.85 per basic common share ($1.82 per diluted common share), on total revenues of $195.3 million compared to net income of $86.0 million, or $2.02 per basic common share ($1.99 per diluted common share), on total revenues of $187.3 million, for the year ended December 31, 1999. Funds from operations ("FFO") was $105.4 million, basic ($105.7 million, diluted), or $2.66 per basic common share ($2.62 per diluted common share), for the year ended December 31, 2000 compared to $105.7 million, or $2.69 per basic common share ($2.66 per diluted common share), in 1999.

(Dollars in thousands)	2000	1999
REVENUES		
Master lease rental income	$ 97,238	$ 92,070
Property operating income	62,400	57,778
Straight line rent	7,827	6,885
Total rental income	167,465	156,733
Mortgage interest income	22,755	25,940
Management fees	2,785	2,727
Interest and other income	2,333	1,857
	195,338	187,257
EXPENSES		
General and administrative	8,739	7,287
Property operating expenses	22,628	21,077
Interest	42,995	38,603
Depreciation	38,994	38,566
Amortization	513	473
Provision for loss on investment	1,000	0
	114,869	106,006
Net income before net gain (loss) on sale of real estate properties	80,469	81,251
Net gain (loss) on sale of real estate properties	(668)	4,776
Net income	$ 79,801	$ 86,027

Total revenues for the year ended December 31, 2000 compared to the year ended December 31, 1999 increased $8.1 million or 4.3% as discussed below:

- Master lease rent and property operating income increased $9.8 million or 6.5%. During 1999 and 2000, the Company acquired 19 revenue-producing properties, and 13 properties under construction were completed and began operations.
- Straight line rent income increased $0.9 million or 13.7%. This increase is primarily attributable to the identification during 2000 of additional leases acquired in 1998 for which straight line rent should be recognized. The amount of straight line rent income that relates to prior years totaled approximately $1.2 million or $0.03 per basic and diluted common share.
- Mortgage interest income decreased $3.2 million or 12.3% for 2000 compared to 1999 due to the repayment of 31 mortgages during 1999 and 2000.
- Interest and other income increased $0.5 million or 25.6%. During 2000, the Company recognized income of approximately $1.0 million in loan prepayment penalties and exit fees resulting from the repayment of 14 mortgage notes receivable. In 2000, the Company sold a participating interest in one of its notes receivable decreasing the Company's interest income on the note by approximately $0.4 million.

Total expenses for the year ended December 31, 2000 compared to the year ended December 31, 1999 increased $8.9 million or 8.4% as discussed below:

- General and administrative expenses increased $1.5 million or 19.9% for 2000 compared to 1999. The primary reason is the increased state tax expense from 1998 through 2000 resulting from the Capstone merger impact on corporate structure coupled with changes in state tax laws. The Company also incurred expenses during 2000 pursuing profit-enhancing initiatives.
- Property operating expenses and depreciation expense for 2000 compared to 1999 increased $1.6 million or 7.4% and $0.4 million or 1.1%, respectively. During 1999 and 2000, the Company acquired 19 revenue-producing properties, and 13 properties under construction were completed and began operations.
- Interest expense for 2000 compared to 1999 increased $4.4 million or 11.4%. During 2000, the Company privately placed $70.0 million of unsecured senior notes due 2006 (see Note 5 to Consolidated Financial Statements) resulting in additional interest expense of approximately $4.9 million in 2000. Interest expense on the unsecured credit facility and term loan facility increased approximately $1.5 million from 1999 to 2000 due to an increase in the combined weighted average interest rate of approximately 1.4% while the combined weighted average balance outstanding decreased approximately $57.5 million. Interest expense on the $90.0 million of unsecured senior notes due 2002 decreased approximately $1.3 million due to annual principal payments of $18.0 million. Further, one mortgage note payable assumed in 1998 was defeased, by the Company, at maturity in June 2000 which resulted in a decrease of approximately $0.8 million in interest expense from 1999 to 2000.
- In 2000, the Company fully reserved for its $1.0 million investment in the preferred stock of a private assisted living company which was acquired in 1998 in its merger with Capstone Capital Corporation (see Note 2 to Consolidated Financial Statements).

During 2000, the Company sold six facilities resulting in a net loss of $0.7 million, while the Company's 1999 dispositions resulted in net gains of $4.8 million.

1999 Compared to 1998

On October 15, 1998, the Company acquired by merger Capstone Capital Corporation ("Capstone"). The purchase price is summarized as follows (in thousands):

Common stock	$ 532,554
Preferred stock	72,052
Cash and cash equivalents	8,330
Liabilities assumed	424,897
Total Purchase Price	$ 1,037,833

The assets acquired in the Capstone merger are summarized as follows (in thousands):

Real estate properties	$ 804,178
Mortgage notes receivable	211,590
Cash and cash equivalents	13,767
Other assets	8,298
Total Assets Acquired	$ 1,037,833

The results of operations of the Company have been significantly impacted by the Capstone merger. As a result of this transaction in 1998, the Company acquired 111 properties and 75 mortgages with a fair value of $804.2 million and $211.6 million, respectively. The merger was effective October 15, 1998; therefore, 1998 consolidated revenues and expenses of the Company reflects the impact of the Capstone assets acquired and liabilities assumed for only 2.5 months in 1998 versus the entire year for 1999. The Capstone investments, along with commitments acquired in the merger, resulted in additional master lease rent, straight line rent and property operating income, net of operating expenses, for the year ended December 31, 1999, of $73.5 million, a $59.0 million or 407.1% increase from 1998. Mortgage interest income in 1999 resulting from these Capstone investments was $24.2 million, a $20.4 million or 543.3% increase from 1998. Interest and other income attributed to the Capstone acquisition for the years ended 1999 and 1998 was $1.4 million and $0.4 million, respectively, a 286.2% increase. Depreciation and amortization expense for the year ended December 31, 1999 attributed to the Capstone acquisition was $24.8 million compared to $2.9 million in 1998, a $21.9 million or 739.0% increase.

For the year ended December 31, 1999, net income was $86.0 million, or $2.02 per basic common share ($1.99 per diluted common share), on total revenues of $187.3 million compared to net income of $40.5 million, or $1.66 per basic common share ($1.63 per diluted common share), on total revenues of $92.4 million, for the year ended December 31, 1998. Funds from operations ("FFO") was $105.7 million, or $2.69 per basic common share ($2.66 per diluted common share), for the year ended December 31, 1999 compared to $59.7 million, or $2.48 per basic common share ($2.44 per diluted common share), in 1998.

(Dollars in thousands)	1999	1998
REVENUES		
Master lease rental income	$ 92,070	$ 47,512
Property operating income	57,778	35,269
Straight line rent	6,885	1,265
Total rental income	156,733	84,046
Mortgage interest income	25,940	5,120
Management fees	2,727	2,056
Interest and other income	1,857	1,207
	187,257	92,429
EXPENSES		
General and administrative	7,287	11,126
Property operating expenses	21,077	11,978
Interest	38,603	13,057
Depreciation	38,566	15,965
Amortization	473	499
	106,006	52,625
Net income before net gain (loss) on sale of real estate properties	81,251	39,804
Net gain (loss) on sale of real estate properties	4,776	675
Net income	$ 86,027	$ 40,479

Total revenues for the year ended December 31, 1999 compared to the year ended December 31, 1998, increased $94.8 million or 102.6% as discussed below:

- Master lease rent, straight line rent and property operating income increased $72.7 million or 86.5%. Excluding the impact of the Capstone merger, master lease rent, straight line rent and property operating income increased $4.8 million or 7.0%. During 1999, the Company acquired two revenue-producing properties and 11 properties under construction were completed and began operations.
- Mortgage interest income increased $20.8 million or 406.6% for the year ended December 31, 1999 compared to 1998 substantially due to the Capstone merger.
- Interest and other income for the year ended December 31, 1999 was $1.9 million compared to $1.2 million for the year ended December 31, 1998. Excluding the impact of the Capstone merger, interest and other income decreased $0.7 million from 1998 to 1999. In 1998, the Company recognized development fee income from a third party project of $0.5 million, and the Company's average cash balance was higher in 1998 resulting in more interest income for the year.
- Third party management fees for the year ended December 31, 1999 compared to 1998 increased $0.7 million or 32.6% due primarily to the addition of over 50 buildings with approximately 0.9 million square feet under property management.

Total expenses for the year ended December 31, 1999 were $106.0 million compared to $52.6 million for 1998, an increase of $53.4 million or 101.4% as discussed below:

- Interest expense for the year ended December 31, 1999, compared to 1998 increased $25.5 million or 195.6%. In conjunction with the Capstone merger in 1998, the Company repaid the outstanding balances under both Capstone's and its own unsecured credit facilities and entered into a $265.0 million unsecured credit facility and a $200.0 million term loan facility. The average outstanding balances under its credit facilities and term loan facility for the year ended 1999 compared to 1998 was $368.1 million and $82.3 million, respectively, increasing interest expense in 1999 by approximately $18.2 million. The subordinated convertible debentures and mortgage notes payable assumed by the Company in the Capstone merger resulted in an increase of $8.6 million in interest expense for the year ended December 31, 1999 compared to 1998. These increases to interest expense discussed above were offset by decreases to interest expense due to an increase in capitalized interest of $0.5 million from 1998 to 1999 and a decrease of $1.3 million to interest expense on the Company's $90.0 million of unsecured notes due 2002 due to annual principal payments of $18.0 million.
- Depreciation expense increased $22.6 million due substantially to the properties acquired in the Capstone merger. Excluding the effect of the Capstone merger, depreciation expense increased $0.8 million, resulting primarily from the acquisition of 11 properties during 1998 and 1999.
- Property operating expenses for the year ended December 31, 1999, compared to 1998, increased $9.1 million or 76.0% due mainly to the properties acquired in the Capstone merger.
- General and administrative expenses decreased $3.8 million or 34.5% for the year ended December 31, 1999, compared to 1998. During 1998, the Company recognized a $6.3 million write-off for certain capitalized software costs, leasehold improvements, organization and other deferred costs which were deemed to have no continuing value and for incremental internal costs incurred in conjunction with the Capstone merger. After consideration of the write-off, the net $2.5 million increase was primarily due to the increased number of employees for property management, development, and other service-based activities, an increase and expansion of the corporate office lease, and the write-off of certain project costs during 1999.

During 1999, the Company sold five facilities and one partnership interest in a facility resulting in net gains of $4.8 million, while the Company's 1998 dispositions resulted in net gains of $0.7 million.

Liquidity and Capital Resources

As discussed in more detail in Note 5 to Consolidated Financial Statements, the Company has various commitments to pay interest and outstanding principal balances on its notes and bonds payable as follows (dollars in millions):

	Balance at Dec. 31, 2000	Maturity Date	Interest Rate	Interest Payments	Principal Payments
Unsecured credit facility [1]	$ 265.0	10/01	LIBOR +1.05%	Quarterly	At maturity
Term loan facility	25.0	3/01	LIBOR + 2.50%	Quarterly	At maturity
Senior notes due 2002	36.0	9/02	7.41%	Semi-Annual	$18 million annually
Senior notes due 2006	70.0	4/06	9.49%	Semi-Annual	$20.3 million in 2004, 2005 and $29.4 million in 2006
10.5% Convertible subordinated Debentures, net	3.4	4/02	10.5%	Semi-Annual	At maturity
6.55% Convertible subordinated Debentures, net	74.5	3/02	6.55%	Semi-Annual	At maturity
Mortgage notes payable	57.1	9/04-7/26	7.625%-9.063%	Monthly	Monthly or at maturity
Other note payable	5.8	7/05	7.53%	Semi-Annual	Semi-Annual
	$ 536.8				

[1] The Company pays a quarterly commitment fee of 0.225 of 1% on the unused portion of its unsecured credit facility.

At December 31, 2000, the Company had $35.0 million available borrowing capacity under its unsecured credit facility. The unsecured credit facility matures in October 2001. During 2001, the Company will extend or renegotiate the terms of this facility which may result in higher interest costs.

As of December 31, 2000, the Company can issue an aggregate of approximately $100.0 million of securities remaining under its currently effective registration statement. The Company has filed a second shelf registration statement with the Securities and Exchange Commission. The second shelf registration statement allows the Company to issue an additional $400.0 million of securities, bringing the total securities available for issuance to $500.0 million. Should the market permit, the Company may issue securities under its registration statements. 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.

The Company is presently negotiating for new secured debt financing. Historically, the Company has limited the use of secured debt financing. However, given the current favorable differential between the cost of unsecured debt and secured debt, the Company is seeking to take advantage of this opportunity to access capital in the secured debt market. The Company provides no assurance that the new secured debt financing will be obtained. If the new secured debt financing is obtained, the proceeds will be used to repay the term loan facility and to reduce the balance of the unsecured credit facility.

In 1998, the Company sold an aggregate of 1.4 million shares of its common stock. The Company received an aggregate of $37.1 million in net proceeds from these transactions. The proceeds were used to repay debt and were also used for acquisitions, developments and general corporate purposes.

The Company generated net cash from operations in 2000 of $121.0 million, an increase of $29.3 million from 1999 and $98.6 million from 1998. The increase from 1999 resulted primarily from changes in other assets, other liabilities, accounts payable and accrued expenses. The increase from 1998 resulted primarily from increases in net income, depreciation and liabilities due to the Capstone merger (see Note 2 to Consolidated Financial Statements). Other significant sources and uses of cash for investing and financing activities are set forth in the Statement of Cash Flows in the Consolidated Financial Statements.

As of December 31, 2000, the Company had an investment of approximately $30.9 million in seven build-to-suit developments in progress which have a total remaining funding commitment of approximately $51.3 million. Further, the Company has commitments to provide funding for the enhancement of existing properties totaling $3.5 million at December 31, 2000. The Company intends to fund these commitments with internally generated cash flow, proceeds from the sale of additional assets, proceeds from additional repayments of mortgage notes receivable, and additional capital market financing.

At December 31, 2000, the Company had stockholders' equity of $1.0 billion. The debt to total capitalization ratio was approximately .344 to 1 at January 31, 2001.

On January 23, 2001, the Company declared an increase in its quarterly common stock dividend from $.565 per share ($2.26 annualized) to $.57 per share ($2.28 annualized) payable to stockholders of record as of February 15, 2001. This dividend was paid on March 7, 2001. While the Company has no present plans to change its quarterly common stock dividend policy, the dividend policy is reviewed each quarter by its board of directors. Should access to new capital not be available, the Company is uncertain of its ability to increase its quarterly common stock dividends in the future.

During 2001, the Company will pay quarterly dividends on its 8 7/8% Series A Cumulative Preferred Stock in the annualized amount of $2.22 per share.

Under the terms of the leases and other financial support agreements relating to most of the properties, tenants or healthcare providers are generally responsible for operating expenses and taxes relating to the properties. As a result of these arrangements, with limited exceptions not material to the performance of the Company, the Company does not believe any increases in the property operating expenses or taxes would significantly impact the operating results of the Company during the respective terms of the agreements. The Company anticipates entering into similar arrangements with respect to additional properties it acquires or develops. After the term of the leases or financial support agreements, 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.

The Company plans to continue to meet its liquidity needs, including funding additional investments in 2001, paying its quarterly dividends and funding its debt service from its cash flows, the proceeds of mortgage loan repayments, sales of real estate investments, payments of mortgage notes receivable, and capital market financings. The Company continues negotiations for additional capital market financings and asset sales, the proceeds of which would be used to repay the term loan facility, the unsecured credit facility and for other general corporate purposes. The Company believes that its liquidity and sources of capital are adequate to satisfy its cash requirements. The Company, however, cannot be certain that these sources of funds will be available at a time and upon terms acceptable to the Company in sufficient amounts to meet its liquidity needs.

Impact of Inflation

Inflation has not significantly affected the earnings of the Company because of the moderate inflation rate and the fact that most of the Company's leases and financial support arrangements require tenants and sponsors to pay all or some portion of the increases in operating expenses, thereby reducing the risk of any adverse effects of inflation to the Company. In addition, inflation will have the effect of increasing gross revenue the Company is to receive under the terms of the leases and financial support arrangements. Leases and financial support arrangements vary in the remaining terms of obligations from one to 23 years, further reducing the risk of any adverse effects of inflation to the Company. The unsecured credit facility bears interest at a variable rate; therefore, the amount of interest payable under the unsecured credit facility will be influenced by changes in short-term rates, which tend to be sensitive to inflation. Generally, changes in inflation and interest rates tend to move in the same direction. During periods where interest rate increases outpace inflation, the Company's operating results will be negatively impacted. Likewise, when increases in inflation outpace increases in interest rates, the Company's operating results will be positively impacted.

Market Risk

The Company is exposed to market risk, in the form of changing interest rates, on its debt and mortgage notes receivable. The Company has no market risk with respect to derivatives and foreign currency fluctuations. Management uses daily monitoring of market conditions and analytical techniques to manage this risk.

At December 31, 2000 and 1999, the fair value of the Company's variable rate debt approximates its carrying value of $304.2 million and $365.7 million, respectively. By definition, because the interest rate is variable, the carrying amount of variable rate debt will always approximate its fair value. Assuming the December 31, 2000 and 1999 carrying value of $304.2 million and $365.7 million, respectively, is held constant, the hypothetical increase in interest expense resulting from a one percentage point increase in interest rates, would be $3.0 million and $3.7 million, respectively. The interest rate on variable rate debt is based on and variable with London interbank offered rate ("LIBOR").

At December 31, 2000 and 1999, the carrying value of the Company's fixed rate debt is $232.6 million and $198.2 million, respectively, and the fair value of the Company's fixed rate debt is approximately $218.8 million and $190.9 million, respectively. The fair value is based on the present value of future cash flows discounted at the market rate of interest. Market risk, expressed as the hypothetical decrease in fair value resulting from a one percentage point increase in interest rates is $3.8 million and $4.1 million, respectively, for aggregate fixed rate debt.

At December 31, 2000 and 1999, the carrying value of the Company's fixed rate mortgage notes receivable is $170.9 million and $250.3 million, respectively, and the fair value is approximately $168.7 million and $232.1 million, respectively. The fair value is based on the present value of future cash flows discounted at an assumed market rate of interest. Because no market rates of interest are published for these assets, the market rate of interest is assumed to be the same spread to U.S. Treasury yields for comparable maturities that existed when the mortgage notes receivable were acquired in the Capstone merger on October 15, 1998, adjusted to published U.S. Treasury yields. Market risk, expressed as the hypothetical decrease in fair value resulting from a one percentage point increase in interest rates, is $4.1 million and $10.6 million for December 31, 2000 and 1999, respectively, on the aggregate portfolio of fixed rate mortgage notes receivable.

Cautionary Language Regarding Forward Looking Statements

This Annual Report to Shareholders and other materials the Company has filed or may file with the Securities and Exchange Commission, as well as information included in oral statements or other written statements made, or to be made, by senior management of the Company, contain, or will contain, disclosures which are "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as "may," "will," "expect," "believe," "intend," "plan," "estimate," "project," "continue," "should" and other comparable terms. These forward-looking statements are based on the current plans and expectations of management and are subject to a number of risks and uncertainties that could significantly affect the Company's current plans and expectations and future financial condition and results. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Shareholders and investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Company's filings and reports. For a detailed discussion of the risk factors associated with the Company, please refer to the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2000.

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, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Nashville, Tennessee
January 23, 2001

Consolidated BALANCE SHEETS

(Dollars in thousands)	December 31, 2000	December 31, 1999
ASSETS		
Real estate properties:		
Land	$ 152,254	$ 150,591
Buildings and improvements	1,290,395	1,223,387
Personal property	5,785	5,165
Construction in progress	30,914	20,003
	1,479,348	1,399,146
Less accumulated depreciation	(120,522)	(83,996)
Total real estate properties, net	1,358,826	1,315,150
Cash and cash equivalents	1,788	3,396
Restricted cash	577	990
Mortgage notes receivable	170,906	250,346
Other assets, net	54,979	38,082
Total assets	$ 1,587,076	$ 1,607,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes and bonds payable	$ 536,781	$ 563,884
Accounts payable and accrued liabilities	22,714	17,658
Other liabilities	19,544	8,519
Total liabilities	579,039	590,061
Commitments	–	–
Stockholders' equity:		
Preferred stock, $.01 par value; 50,000,000 shares authorized; issued and outstanding 2000 and 1999 - 3,000,000; $75,000,000 liquidation preference	30	30
Common stock, $.01 par value; 150,000,000 shares authorized; issued and outstanding 2000 – 40,314,399; 1999 – 40,004,579	403	400
Additional paid-in capital	1,061,190	1,054,405
Deferred compensation	(9,730)	(9,509)
Cumulative net income	295,174	215,373
Cumulative dividends	(339,030)	(242,796)
Total stockholders' equity	1,008,037	1,017,903
Total liabilities and stockholders' equity	$ 1,587,076	$ 1,607,964

See accompanying notes.

Consolidated
STATEMENTS OF INCOME

(Dollars in thousands, except per share data)	Year Ended December 31, 2000	1999	1998
REVENUES			
Master lease rental income	$ 97,238	$ 92,070	$ 47,512
Property operating income	62,400	57,778	35,269
Straight line rent	7,827	6,885	1,265
Mortgage interest income	22,755	25,940	5,120
Management fees	2,785	2,727	2,056
Interest and other income	2,333	1,857	1,207
	195,338	187,257	92,429
EXPENSES			
General and administrative	8,739	7,287	11,126
Property operating expenses	22,628	21,077	11,978
Interest	42,995	38,603	13,057
Depreciation	38,994	38,566	15,965
Amortization	513	473	499
Provision for loss on investment	1,000	0	0
	114,869	106,006	52,625
Net income before net gain (loss) on sale of real estate properties	80,469	81,251	39,804
Net gain (loss) on sale of real estate properties	(668)	4,776	675
Net income	$ 79,801	$ 86,027	$ 40,479
Net income per common share - Basic	$ 1.85	$ 2.02	$ 1.66
Net income per common share - Diluted	$ 1.82	$ 1.99	$ 1.63
Weighted average common shares outstanding - Basic	39,544,400	39,326,594	24,043,942
Weighted average common shares outstanding - Diluted	40,301,409	39,810,306	24,524,600
Dividend declared, per common share, during the period	$ 2.23	$ 2.15	$ 2.07

See accompanying notes.

Consolidated

Statements of Stockholders' Equity

(Dollars in thousands, except per share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Deferred Compensation	Cumulative Net Income	Cumulative Dividends	Total Stockholders' Equity
Balance at December 31, 1997	$ –	$ 193	$ 402,607	$ (7,689)	$ 88,867	$ (107,506)	$ 376,472
Issuance of common stock	–	202	567,734	–	–	–	567,936
Issuance of preferred stock	30	–	71,956	–	–	–	71,986
Shares awarded as deferred stock compensation	–	2	4,331	(4,274)	–	–	59
Shares issued from warrants	–	1	2,411	–	–	–	2,412
Deferred stock compensation amortization	–	–	–	1,301	–	–	1,301
Net income	–	–	–	–	40,479	–	40,479
Dividends – common ($2.07 per share)	–	–	–	–	–	(42,386)	(42,386)
Dividends – preferred ($0.46224 per share)	–	–	–	–	–	(555)	(555)
Balance at December 31, 1998	30	398	1,049,039	(10,662)	129,346	(150,447)	1,017,704
Issuance of common stock	-	2	5,345	-	-	-	5,347
Shares awarded as deferred stock compensation	-	-	21	(21)	-	-	0
Deferred stock compensation amortization	-	-	-	1,174	-	-	1,174
Net income	-	-	-	-	86,027	-	86,027
Dividends – common ($2.15 per share)	-	-	-	-	-	(85,693)	(85,693)
Dividends – preferred ($2.22 per share)	-	-	-	-	-	(6,656)	(6,656)
Balance at December 31, 1999	30	400	1,054,405	(9,509)	215,373	(242,796)	1,017,903
Issuance of stock	–	2	5,171	–	–	–	5,173
Shares awarded as deferred stock compensation	–	1	1,614	(1,606)	–	–	9
Deferred stock compensation amortization	–	–	–	1,385	–	–	1,385
Net income	–	–	–	–	79,801	–	79,801
Dividends – common ($2.23 per share)	–	–	–	–	–	(89,577)	(89,577)
Dividends – preferred ($2.22 per share)	-	-	-	-	-	(6,657)	(6,657)
Balance at December 31, 2000	$ 30	$ 403	$ 1,061,190	$ (9,730)	$295,174	$ (339,030)	$ 1,008,037

See accompanying notes.

Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31, 2000	1999	1998
Operating Activities			
Net income	$ 79,801	$ 86,027	$ 40,479
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	41,440	41,225	17,122
Deferred compensation amortization	1,385	1,153	1,247
Increase (decrease) in other liabilities	11,438	(1,973)	(3,247)
Increase in other assets	(10,924)	(17,288)	(7,506)
Increase (decrease) in accounts payable and accrued liabilities	5,056	(5,781)	(27,133)
Increase in straight line rent	(7,827)	(6,885)	(1,265)
Charge to operations	–	–	3,373
(Gain) loss on sales of real estate	668	(4,776)	(675)
Net cash provided by operating activities	121,037	91,702	22,395
Investing Activities			
Acquisition and development of real estate properties	(97,750)	(55,664)	(94,066)
Funding of mortgages	(7,955)	(27,475)	(27,851)
Proceeds from mortgage payments/sales	86,610	18,749	8,522
Proceeds from sale of real estate	15,048	46,929	11,895
Purchase of Capstone, net of cash acquired	–	–	5,437
Net cash used in investing activities	(4,047)	(17,461)	(96,063)
Financing Activities			
Borrowings on notes and bonds payable	151,760	125,200	425,000
Repayments on notes and bonds payable	(179,306)	(121,608)	(338,689)
Dividends paid	(96,234)	(92,349)	(42,941)
Proceeds from issuance of common stock	5,182	5,202	37,683
Net cash provided by (used in) financing activities	(118,598)	(83,555)	81,053
Increase (decrease) in cash and cash equivalents	(1,608)	(9,314)	7,385
Cash and cash equivalents, beginning of period	3,396	12,710	5,325
Cash and cash equivalents, end of period	$ 1,788	$ 3,396	$ 12,710

See accompanying notes.

Notes to
Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization

Healthcare Realty Trust Incorporated (the "Company") invests in healthcare-related properties and mortgages located throughout the United States, including ancillary hospital facilities, skilled nursing facilities, physician clinics, comprehensive ambulatory care centers, medical office buildings, inpatient rehabilitation facilities, assisted living facilities, other inpatient facilities and other outpatient facilities. The Company 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. These activities constitute a single business segment as defined by the Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." As of December 31, 2000, the Company had invested in 267 properties and mortgages located in 32 states, affiliated with 66 healthcare-related entities.

Basis of Presentation

The 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 inter-company 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 included with the purchase price as appropriate. The cost of real properties acquired is allocated between land, buildings, 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 to 7.0 years

Restricted Cash

Restricted cash includes security deposits and other funds set aside for capital expenditures on certain investments of the Company.

Mortgage Notes Receivable

Mortgage notes receivable, substantially all of which were acquired in the Capstone merger (see Note 2), were recorded at their fair value at the date of acquisition. As of December 31, 2000, the mortgage portfolio had a weighted average maturity of approximately 5.14 years. Interest rates ranged from 8.18% to 13.5% and are generally adjustable each year to reflect actual increases in the Consumer Price Index subject to various minimum increases. Substantially all of the mortgages are subject to a prepayment penalty.

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% per annum (90% beginning in 2001) 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.

Other Assets

Other assets consist primarily of receivables, deferred costs and intangible assets. Deferred financing costs are amortized over the term of the related credit facility using the interest method. Intangible assets are amortized straight-line over the applicable lives of the assets, which range from three to forty years. Accumulated amortization was $2.8 million and $1.9 million at December 31, 2000 and 1999, respectively.

Revenue Recognition

Rental income related to noncancelable operating leases is recognized as earned over the life of the lease agreements on a straight-line basis. Any additional rent, as defined in each lease agreement, is recognized as earned. The Company had two customers in each of the years ended 2000, 1999 and 1998 who accounted for more than 10% of the Company's revenues. Healthsouth and HCA-The Healthcare Company accounted for 13% and 11%, respectively, of revenues for each of the years 2000 and 1999. HCA-The Healthcare Company and Tenet Healthcare accounted for 16% and 13%, respectively, for 1998.

Stock Issued to Employees

The Company has elected to follow Accounting Principles Board ("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

Basic earnings per share is calculated using weighted average shares outstanding less issued and outstanding but unvested restricted shares of Common Stock.

Diluted earnings per share is calculated using weighted average shares outstanding plus the dilutive effect of convertible debt and restricted shares of Common Stock and outstanding stock options, using the treasury stock method and the average stock price during the period.

Reclassification

Certain reclassifications have been made in the financial statements for the years ended 1999 and 1998 to conform to the 2000 presentation. These reclassifications had no effect on the results of operations as previously reported.

2. Capstone Merger

On October 15, 1998, the Company acquired Capstone Capital Corporation ("Capstone"). The assets acquired in this transaction totaled approximately $1.0 billion. The transaction was accounted for as a purchase and resulted in no goodwill.

The unaudited proforma results of operations for the year ended December 31, 1998, assuming that the Capstone merger had occurred as of the beginning of the year are (dollars in thousands, except for per share data):

	1998
Revenues	$ 168,721
Net income	$ 73,186
Net income per share - Basic	$ 1.74
Net income per share - Diluted	$ 1.72

3. Real Estate Property Leases

The Company's properties are generally leased or supported pursuant to noncancelable, fixed-term operating leases and other financial support arrangements with expiration dates from 2001 to 2023. Some leases and financial arrangements 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 an option and a right of first refusal to purchase the leased property. 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.

Future minimum lease and guaranty payments under the noncancelable operating leases and financial support arrangements as of December 31, 2000 are as follows (in thousands):

2001	$ 152,114
2002	150,996
2003	150,003
2004	145,523
2005	160,276
2006 and thereafter	693,371
	$ 1,452,283

4. REAL ESTATE PROPERTIES

The following table summarizes the Company's real estate properties by type of facility and by state as of December 31, 2000 (dollars in thousands).

	Number of Facilities [1]	Land	Buildings and Improvements and CIP	Personal Property	Total	Accumulated Depreciation
Ancillary hospital facilities:						
California	9	$ 18,375	$ 61,352	$ 44	$ 79,771	$ 8,079
Florida	10	4,015	65,297	116	69,428	8,396
Nevada	2	2,293	48,072	22	50,387	3,252
Texas	10	8,865	60,006	278	69,149	10,109
Virginia	9	13,703	67,856	93	81,652	7,325
Other states	19	12,655	107,643	69	120,367	8,572
	59	59,906	410,226	622	470,754	45,733
Skilled Nursing Facilities:						
Colorado	3	2,885	23,522	0	26,407	2,265
Oklahoma	5	120	12,844	0	12,964	271
Pennsylvania	3	479	20,138	0	20,617	1,389
Texas	2	1,795	17,670	0	19,465	1,793
Virginia	6	1,452	34,958	0	36,410	2,405
Other states	14	6,968	67,942	215	75,125	9,324
	33	13,699	177,074	215	190,988	17,447
Physician Clinics:						
Florida	9	12,089	43,220	51	55,360	5,119
Illinois	1	207	11,473	0	11,680	786
Massachusetts	5	4,284	26,502	0	30,786	1,820
Tennessee	5	2,942	7,963	0	10,905	566
Texas	1	5,134	11,804	0	16,938	805
Other states	11	4,690	30,600	1	35,291	2,409
	32	29,346	131,562	52	160,960	11,505
Comprehensive Ambulatory Care Centers:						
Arizona	1	2,095	9,079	6	11,180	425
California	1	3,375	25,376	0	28,751	2,147
Florida	6	2,008	54,002	11	56,021	3,524
Missouri	3	3,726	22,137	2	25,865	1,446
Texas	2	1,643	20,034	70	21,747	3,937
	13	12,847	130,628	89	143,564	11,479
Medical Office Buildings:						
Florida	2	2,027	7,271	0	9,298	491
Pennsylvania	1	0	621	0	621	0
Tennessee	1	1,734	8,993	5	10,732	615
Texas	2	1,161	9,003	442	10,606	1,993
Virginia	4	1,927	12,065	129	14,121	1,615
	10	6,849	37,953	576	45,378	4,714
Inpatient Rehabilitation Facilities:						
Alabama	1	0	17,722	0	17,722	1,017
Florida	1	0	11,703	0	11,703	672
Pennsylvania	6	4,719	107,529	0	112,248	6,969
Texas	1	1,116	11,800	0	12,916	810
	9	5,835	148,754	0	154,589	9,468
Assisted Living Facilities:						
Florida	3	2,016	20,479	0	22,495	675
New Jersey	2	1,809	16,825	0	18,634	1,012
Pennsylvania	7	1,425	28,971	0	30,396	1,910
Texas	8	0	70,990	0	70,990	4,863
Virginia	3	889	16,130	0	17,019	1,090
Other states	18	4,686	77,715	0	82,401	2,737
	41	10,825	231,110	0	241,935	12,287
Other Inpatient Facilities:						
Michigan	1	4,405	9,153	0	13,558	633
Pennsylvania	1	0	2,880	0	2,880	0
Texas	1	506	5,386	0	5,892	390
	3	4,911	17,419	0	22,330	1,023
Other Outpatient Facilities:						
Alabama	2	817	10,604	8	11,429	2,205
Florida	2	3,111	6,370	0	9,481	285
Missouri	1	849	3,621	0	4,470	247
Mississippi	1	538	3,723	30	4,291	717
Nevada	1	940	2,861	0	3,801	474
Other states	6	1,781	9,404	24	11,209	1,112
	13	8,036	36,583	62	44,681	5,040
Corporate Property		0	0	4,169	4,169	1,826
Total Property	213	$ 152,254	$ 1,321,309	$ 5,785	$ 1,479,348	$ 120,522

[1] Includes seven lessee developments.

5. Notes and Bonds Payable

Notes and bonds payable at December 31, 2000 and 1999 consisted of the following (in thousands):

	December 31,	
	2000	1999
Unsecured credit facility	$ 265,000	$ 252,000
Term loan facility	25,000	113,700
Senior notes due 2002	36,000	54,000
Senior notes due 2006	70,000	0
6.55% Convertible subordinated debentures, net	74,501	73,836
10.50% Convertible subordinated debentures, net	3,351	3,573
Mortgage notes payable	57,096	59,775
Other note payable	5,833	7,000
	$ 536,781	$ 563,884

Unsecured Credit Facility

On October 15, 1998, concurrent with the Capstone merger, the Company repaid the outstanding balances under both Capstone and its own unsecured credit facilities and entered into a $265.0 million unsecured credit facility (the "Unsecured Credit Facility") with ten commercial banks. During the fourth quarter of 2000, the Company entered into an agreement with an additional bank to increase its Unsecured Credit Facility to $300.0 million. The Unsecured Credit Facility bears interest at LIBOR plus 1.05%, payable quarterly, and matures on October 15, 2001. In addition, the Company will pay, quarterly, a commitment fee of 0.225 of 1% on the unused portion of funds available for borrowings. The Unsecured Credit Facility contains certain representations, warranties, and financial and other covenants customary in such loan agreements. At December 31, 2000, the Company had available borrowing capacity of $35.0 million under the Unsecured Credit Facility.

Term Loan Facility

On October 15, 1998, concurrent with the Capstone merger, the Company entered into a $200.0 million term loan facility (the "Term Loan Facility"). Effective January 4, 2001, the Company amended its Term Loan Facility agreement with Bank of America. The Term Loan Facility, as amended, bears interest at LIBOR plus 2.50%, payable quarterly, and matures on March 30, 2001. The Term Loan Facility contains certain representations, warranties and financial and other covenants customary in such loan agreements, as well as restrictions on dividend payments if minimum tangible capital requirements are not met.

Senior Notes due 2002

On September 18, 1995, the Company privately placed $90.0 million of unsecured senior notes (the "Senior Notes due 2002") with 16 institutions. The Senior Notes due 2002 bear interest at 7.41%, payable semi-annually, and mature on September 1, 2002. Each September 1, beginning in 1998, the Company must repay $18.0 million of principal. The note agreements pursuant to which the Senior Notes due 2002 were purchased contain certain representations, warranties and financial and other covenants customary in such loan agreements.

Senior Notes due 2006

On April 7, 2000, the Company privately placed $70.0 million of unsecured senior notes (the "Senior Notes due 2006") with multiple purchasers affiliated with two lending institutions. The Senior Notes due 2006 bear interest at 9.49%, payable semi-annually, and mature on April 1, 2006. On April 1, 2004 and 2005, the Company must repay $20.3 million of the principal with the remaining principal balance of $29.4 million payable upon maturity. The note agreements pursuant to which the Senior Notes due 2006 were purchased contain certain representations, warranties and financial and other covenants customary in such loan agreements.

Convertible Subordinated Debentures

As part of the Capstone merger, the Company assumed and recorded at fair value $74.7 million aggregate face amount of 6.55% Convertible Subordinated Debentures (the "6.55% Debentures") of Capstone. At December 31, 2000, the Company had approximately $74.5 million aggregate principal amount of 6.55% Debentures outstanding with a face amount of $74.7 million and unaccreted discount of $0.2 million. Such rate of interest and accretion of discount represents a yield to maturity of 7.5% per annum (computed on a semiannual bond equivalent basis). The 6.55% Debentures are due on March 14, 2002, unless redeemed earlier by the Company or converted by the holder, and are callable on March 16, 2000. Interest on the 6.55% Debentures is payable on March 14 and September 14 in each year. The 6.55% Debentures are convertible into shares of common stock of the Company at the option of the holder at any time prior to redemption or stated maturity, at a conversion price rate of 33.6251 shares per $1 thousand bond.

Also, as part of the Capstone merger, the Company assumed and recorded at fair value $3.75 million aggregate face amount of 10.5% Convertible Subordinated Debentures (the "10.5% Debentures") of Capstone. At December 31, 2000, the Company had approximately $3.35 million aggregate principal amount of 10.5% Debentures outstanding with a face amount of $3.32 million and unamortized premium of $0.03 million. Such rate of interest and amortization of premium represents a yield to maturity of 7.5% per annum (computed on a semiannual bond equivalent basis). The 10.5% Debentures are due on April 1, 2002, unless redeemed earlier by the Company or converted by the holder, and are callable on April 5, 2000. Interest on the 10.5% Debentures is payable on April 1 and October 1 in each year. The 10.5% Debentures are convertible into shares of common stock of the Company at the option of the holder at any time prior to redemption or stated maturity, at a conversion price rate of 52.8248 shares per $1 thousand bond.

Mortgage Notes Payable

At December 31, 2000, the Company had assumed or entered into nine non-recourse mortgage notes payable, with the related collateral, as follows (dollars in millions):

Mortgagor	Original Balance	Contractual Interest Rate	Collateral	Book Value Of Collateral at December 31, 2000	Contractual Balance at December 31, 2000
Life Insurance Co.	$ 23.3	8.500%	Ancillary hospital facility	$ 43.5	$ 22.3
Life Insurance Co.	4.7	7.625%	Ancillary hospital facility	10.8	4.3
Life Insurance Co.	17.1	8.125%	Two Ambulatory surgery centers & one ancillary hospital facility	37.2	16.3
Commercial bank	14.2	9.063%	Two physician clinics, one ambulatory surgery center & one medical office building	16.9	14.2
	$ 59.3			$ 108.4	$ 57.1

The $23.3 million note is payable in monthly installments of principal and interest based on a 30-year amortization with the final payment due in July 2026. The $4.7 million note is payable in monthly installments of principal and interest based on a 20-year amortization with the final payment due in January 2017. The three notes totaling $17.1 million are payable in monthly installments of principal and interest based on a 25 year amortization with a balloon payment of the unpaid balance in September 2004. The four notes totaling $14.2 million are payable in monthly installments of interest only with the final payment due in December 2003.

Other Note Payable

On July 31, 1999, the Company entered into a $7.0 million note with a commercial bank. The note bears interest at 7.53%, is payable in equal semi-annual installments of principal and interest and fully amortizes in July 2005.

Other Long-Term Debt Information

Future maturities of long-term debt are as follows (in thousands):

2001	$ 309,595
2002	97,962
2003	16,131
2004	37,361
2005	22,019
2006 and thereafter	53,713
	$ 536,781

During the years ended December 31, 2000, 1999 and 1998, interest paid totaled $43.1 million, $41.5 million and $11.1 million, and capitalized interest totaled $1.8 million, $1.9 million and $1.4 million, respectively.

6. Stockholders' Equity

The Company had common and preferred shares outstanding as of the three years ended December 31, 2000 as follows:

	Year Ended December 31,		
	2000	1999	1998
Common Shares			
Balance, beginning of period	40,004,579	39,792,775	19,285,927
Issuance of stock	206,603	210,754	20,226,981
Shares awarded as deferred stock compensation	103,217	1,050	148,357
Shares issued from warrants	–	–	131,510
Balance, end of period	40,314,399	40,004,579	39,792,775
Preferred Shares			
Balance, beginning of period	3,000,000	3,000,000	–
Issuance of stock	–	–	3,000,000
Balance, end of period	3,000,000	3,000,000	3,000,000

On October 15, 1998, the Company issued 18,906,909 shares of Common stock and 3,000,000 shares of 8 7/8% Series A Voting Cumulative Preferred stock, par value $.01 per share, in a stock-for-stock merger with Capstone Capital Corporation (see Note 2). Upon dissolution of the Company, the Preferred Stock is senior to common stock with respect to dividend rights and rights upon dissolution. Holders of Preferred Stock are entitled to receive cumulative preferential cash dividends of 8 7/8 % per annum of the liquidation preference of $25.00 per share payable quarterly, in arrears. Preferred Stock is not redeemable prior to September 30, 2002. On or after September 2002, the Company, at its option, may redeem Preferred Stock, in whole or in part, at any time or from time to time, at the redemption price. The holder of each share of Preferred Stock has one vote, together with the holders of common stock, on all matters on which stockholders may vote.

In July 1998, warrants for 128,149 shares of common stock were exercised. At December 31, 2000, 1999 and 1998, the Company had no warrants outstanding. During April and May 1998, the Company sold an aggregate of 49,953 shares of common stock to a single institutional investor. In February 1998, the Company participated in two unit investment trust offerings and sold an aggregate of 1,224,026 shares of its common stock. The Company received an aggregate of $37.1 million in proceeds for these transactions. The proceeds were used to repay outstanding borrowings under the Company's previous unsecured credit facility, acquisitions, developments and for general corporate purposes.

Comprehensive income is the same as net income for the Company.

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 the 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 certain other retirement benefits received by the executive.

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 two years in the period ended December 31, 2000 is comprised of the following (in thousands):

	2000	1999
Service cost	$ 304	$ 233
Interest cost	192	141
Other	0	(27)
	$ 496	$ 347

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, 2000 and 1999 (in thousands).

	2000	1999
Benefit obligation at beginning of year	$ 2,324	$ 2,553
Service cost	304	233
Interest cost	192	141
Other	0	(27)
Actuarial gain (loss)	130	(576)
Benefit obligation at end of year	2,950	2,324
Unrecognized net actuarial (gain) loss	84	214
Net pension liability in accrued liabilities	$ 3,034	$ 2,538

Accounting for the Executive Retirement Plan for the years ended December 31, 2000 and 1999 assumes discount rates of 7.73% and 8.03%, respectively, and a compensation increase rate of 2.7%. Accounting for the Retirement Plan for Outside Directors assumes discount rates of 7.73% and 8.03%, respectively.

8. Stock Plans

1993 Employees Stock Incentive Plan

The Company is authorized to issue stock representing up to 7.5% of its outstanding shares of common stock, (the "Employee Plan Shares") under the 1993 Employees Stock Incentive Plan (the "Employee Plan"). As of December 31, 2000 and 1999, the Company had a total of 2,401,396 and 2,480,326 Employee Plan Shares authorized, respectively, that had not been issued. Unless terminated earlier, the Employee Plan will terminate on January 1, 2003. As of December 31, 2000 and 1999, the Company had issued a total of 622,184 and 520,017, and had specifically reserved, but not issued, a total of 445,000 and 445,000 Employee Plan Shares (the "Reserved Stock"), respectively, for performance-based awards to employees under the Employee Plan. The Employee Plan Shares are subject to fixed vesting periods varying from three to twelve years beginning on the date of issue. If an employee voluntarily terminates employment with the Company before the end of the vesting period, the shares are forfeited, at no cost to the Company. Once the Employee Plan Shares have been issued, the employee has the right to receive dividends and the right to vote the shares. For 2000 and 1999, compensation expense resulting from the amortization of the value of these shares was $1.4 million and $1.1 million, respectively.

Non-Employee Directors' Stock Plan

Pursuant to the 1995 Restricted Stock Plan for Non-Employee Directors (the "1995 Directors' Plan"), the Directors' stock vests in each Director upon the date three years from the date of issue and is subject to forfeiture prior to such date upon termination of the Director's service, at no cost to the Company. As of December 31, 2000 and 1999, the Company had a total of 84,427 and 85,477 authorized shares under the 1995 Directors' Plan, respectively, that had not been issued. As of December 31, 2000 and 1999, the Company had issued a total of 15,573 and 14,523 shares, respectively, pursuant to the 1995 Directors' Plan. For 2000 and 1999, compensation expense resulting from the amortization of the value of these shares was $24,516 and $30,943, respectively.

Employee Stock Purchase Plan

Effective January 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the "2000 Employee Purchase Plan") pursuant to which the Company is authorized to issue shares of common stock. The 2000 Employee Purchase Plan effectively replaces a 1995 Employee Purchase Plan (the "1995 Employee Purchase Plan"), although options issued under the 1995 Employee Purchase Plan prior to 2000 remain exercisable until their scheduled expiration date. As of December 31, 2000 and 1999, the Company had a total of 662,525 and 772,819 shares authorized collectively under the 2000 and 1995 Employee Purchase Plans, respectively, which had not been issued or optioned. Under the 2000 Employee Purchase Plan, each eligible employee as of January 2000 and each subsequent January 1 has been granted an option to purchase up to $25,000 of common stock at the lesser of 85% of the market price on the date of grant or 85% of the market price on the date of exercise of such option (the "Exercise Date"). The number of shares subject to each year's option becomes fixed on the date of grant. Options granted under both the 2000 and 1995 Employee Purchase Plans expire if not exercised 27 months after each such option's date of grant.

A summary of Employee Purchase Plans collective activity and related information for the years ended December 31 is as follows:

	All Options		
	2000	1999	1998
Outstanding, beginning of year	158,605	85,716	65,573
Granted	289,272	144,886	74,472
Exercised	(2,892)	(5,524)	(12,289)
Forfeited	(136,003)	(37,775)	(31,799)
Expired	(42,975)	(28,698)	(10,241)
Outstanding and exercisable at end of year	266,007	158,605	85,716
Weighted-average fair value of options granted during the year (calculated as of the grant date)	$ 1.68	$ 0.76	$ 5.94
Weighted-average exercise price of options exercised during the year	$ 14.84	$ 18.00	$ 20.69
Weighted-average exercise price of options outstanding (calculated as of December 31)	$ 17.72	$ 22.57	$ 19.10
Range of exercise prices of options outstanding (calculated as of December 31)	$14.98-23.76	$19.52-$23.76	$18.43-$19.52
Weighted-average contractual life of outstanding options (calculated as of December 31, in years)	0.9	1.0	0.9

The fair value for these options was estimated at the date of grant using a Black-Scholes options pricing model with the following assumptions for 2000, 1999 and 1998; risk-free interest rates of 5.36%, 6.24% and 5.00%; a dividend yield of 13.05%, 9.87% and 7.13%; a volatility factor of the expected market price of the Company's common stock of .187, .178 and .139; and an expected life of the option of 1.13 years, respectively.

The Company recognized no compensation expense related to the 2000 Employee Purchase Plan. If compensation expense had been recognized, the proforma effect on net income and earnings per share for the three years in the period ended December 31, 2000, calculated in accordance with Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" would have been as follows (dollars in thousands, except for per share data):

	2000	1999	1998
Proforma net income	$ 79,315	$ 85,917	$ 40,037
Proforma earnings per share			
Basic	$ 1.84	$ 2.02	$ 1.64
Assuming dilution	$ 1.81	$ 1.99	$ 1.61

9. Net Income Per Share

The table below sets forth the computation of basic and diluted earnings per share as required by FASB Statement No. 128 for the three years in the period ended December 31, 2000 (dollars in thousands, except per share data).

	Year Ended December 31,		
	2000	1999	1998
Basic EPS			
Average Shares Outstanding	40,151,220	39,857,587	24,573,885
Actual Restricted Stock Shares	(606,820)	(530,993)	(529,943)
Denominator – Basic	39,544,400	39,326,594	24,043,942
Net Income	$ 79,801	$ 86,027	$ 40,479
Preferred Stock Dividend	(6,657)	(6,656)	(555)
Numerator – Basic	$ 73,144	$ 79,371	$ 39,924
Per share amount	$ 1.85	$ 2.02	$ 1.66
Diluted EPS			
Average Shares Outstanding	40,151,220	39,857,587	24,573,885
Actual Restricted Stock Shares	(606,820)	(530,993)	(529,943)
Dilution for Convertible Debentures	181,136	0	40,017
Restricted Shares – Treasury	533,955	482,496	405,235
Dilution For Employee Stock Purchase Plan	41,918	1,216	15,597
Dilution for Warrants	0	0	19,809
Denominator – Diluted	40,301,409	39,810,306	24,524,600
Numerator – Basic	$ 73,144	$ 79,371	$ 39,924
Convertible Subordinated Debenture Interest	275	0	64
Numerator – Diluted	$ 73,419	$ 79,371	$ 39,988
Per share amount	$ 1.82	$ 1.99	$ 1.63

10. Commitments and Contingencies

As of December 31, 2000, the Company had a net investment of approximately $30.9 million in seven build-to-suit developments in progress, which have a total remaining funding commitment of approximately $51.3 million. Further, the Company has commitments to provide funding for the enhancement of existing properties totaling $3.5 million at December 31, 2000.

As part of the Capstone merger, agreements were entered into with three individuals affiliated with Capstone that restrict competitive practices and which the Company believes will protect and enhance the value of the real estate properties acquired from Capstone. These agreements provide for the issuance of 150,000 shares per year of common stock of the Company to the individuals on October 15 of the years 1999, 2000, 2001, and 2002, provided all terms of the agreements are met. The Company issued 150,000 shares during 2000 and 1999 pursuant to these agreements.

On March 22, 1999, HR Acquisitions I Corporation, formerly known as Capstone Capital Corporation ("HRT"), a wholly-owned subsidiary of the Company, filed suit against Medistar Corporation and its affiliate, Medix Construction Company in United States District Court for the Northern District of Alabama, Southern Division. HRT is seeking damages in excess of four million dollars arising out of the development and construction of four real estate projects located in different parts of the United States. Medistar and Medix served as the developer and contractor, respectively, for the projects. HRT has asserted claims for damages relating to, among others, alleged breaches of the development and contracting obligations, failure to perform in accordance with contract terms and specifications, and other deficiencies in performance by Medistar and Medix. On June 10, 1999, Medistar and Medix filed its answer and counterclaim asserting a variety of alleged legal theories, claims for damages for alleged deficiencies by HRT and the Company in the performance of alleged obligations, and for damage to their business reputation. Attempts at mediation have not resulted in a settlement of the disputes. The Company's prosecution of its claims and defense of the counterclaims will continue to be vigorous. While the Company cannot predict the range of possible recovery or loss, the Company believes that, even though the asserted cross claims seek substantial monetary damages, the allegations made by Medistar and Medix are not factually or legally meritorious, are subject to sustainable defenses and are, to a significant extent, covered by liability insurance.

11. OTHER DATA

Funds From Operations (Unaudited)

Funds from operations, as defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") 1995 White Paper, means net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation from real estate assets. Funds from operations ("FFO") 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.

Management believes the Company's FFO is not directly comparable to other healthcare REIT's, which own a portfolio of triple net leased properties or mortgages, as the Company develops projects through a development and lease-up phase before they reach their targeted cash flow returns. Furthermore, the Company eliminates in consolidation, fee income for developing, leasing and managing owned properties and expenses or capitalizes, whichever the case may be, related internal costs.

	Year Ended December 31,	
(Dollars in thousands, except per share data)	2000	1999
Income before net gain (loss) on sale of real estate properties [2]	$ 80,469	$ 81,251
Elimination of rental revenues recognized on a straight line basis [1]	(7,827)	(6,885)
Preferred stock dividend	(6,657)	(6,656)
Real estate depreciation	38,393	38,017
Provision for loss on investment [1]	1,000	0
Total Adjustments	24,909	24,476
Funds From Operations – Basic	$ 105,378	$ 105,727
Convertible Subordinated Debenture Interest	275	0
Funds From Operations – Diluted	$ 105,653	$ 105,727
Weighted average common shares outstanding – Basic	39,544,400	39,326,594
Weighted average common shares outstanding – Diluted	40,301,409	39,810,306
Funds From Operations Per Common Share – Basic	$ 2.66	$ 2.69
Funds From Operations Per Common Share – Diluted	$ 2.62	$ 2.66

[1] The Company calculates its FFO using a modified version of NAREIT's October 1999 definition of funds from operations. The Company eliminates straight-line rental revenue in computing FFO although NAREIT's definition of funds from operations requires the inclusion of straight-line rental revenue. Likewise, the Company excluded its provision for loss on investment in computing FFO although NAREIT's definition of funds from operations requires its inclusion. If the Company had followed NAREIT's definition of funds from operations, as other healthcare REIT's do, FFO on a diluted basis would have been $2.79 and $2.83 per common share for the twelve months ended December 31, 2000 and December 31, 1999, respectively.

[2] 2000 and 1999 amounts include $1.4 million and $1.2 million, respectively, of stock-based, long-term, incentive compensation expense, a non-cash expense.

Return of Capital

Distributions in excess of earnings and profits generally constitute a return of capital. For the years ended December 31, 2000, 1999 and 1998, dividends paid per share of common stock were $2.23, $2.15 and $2.07, respectively, which consisted of ordinary income per share of $1.90, $2.00 and $2.07 and return of capital per share of $0.33, $0.15 and $0.00 respectively. For the years ended December 31, 2000, 1999 and 1998, dividends paid per share of preferred stock were, $2.22, $2.22 and $0.46, respectively, all of which was ordinary income.

12. Fair Value of Financial Instruments

The carrying amounts of cash, receivables and payables are a reasonable estimate of their fair value at December 31, 2000 and 1999 due to their short term nature. The fair value of notes and bonds payable is estimated using cash flow analyses at December 31, 2000 and 1999, based on the Company's current interest rates for similar types of borrowing arrangements. The carrying amount of the Company's notes and bonds payable at December 31, 2000 and 1999 was approximately $13.8 million and $7.3 million greater than the fair value, respectively. The carrying amount of the Company's mortgage notes receivable at December 31, 2000 and 1999 was approximately $2.2 million and $18.2 million greater than the fair value, respectively.

13. Subsequent Events

On January 23, 2001, the Company declared an increase in its quarterly common stock dividend from $.565 per share ($2.26 annualized) to $.57 per share ($2.28 annualized) payable on March 7, 2001 to shareholders of record on February 15, 2001. The Company also announced its quarterly preferred stock dividend of $.55469 per share ($2.22 annualized) payable on February 28, 2001 to shareholders of record on February 15, 2001.

14. Selected Quarterly Financial Data (unaudited)

Quarterly financial information for the years ended December 31, 2000 and 1999 is summarized below:

	Quarter Ended			
(In thousands, except per share data)	March 31	June 30	September 30	December 31
2000				
Total revenue	$ 48,259	$ 49,850	$ 49,588	$ 47,641
Net income	$ 20,453	$ 21,187	$ 20,191	$ 17,970
Funds from operations - Basic	$ 26,723	$ 26,336	$ 26,296	$ 26,023
Funds from operations - Diluted	$ 26,723	$ 26,336	$ 26,421	$ 26,094
Net income per common share - Basic	$ 0.48	$ 0.49	$ 0.47	$ 0.41
Net income per common share - Diluted	$ 0.47	$ 0.49	$ 0.46	$ 0.41
Funds from operations per common share - Basic	$ 0.68	$ 0.67	$ 0.67	$ 0.66
Funds from operations per common share - Diluted	$ 0.67	$ 0.66	$ 0.66	$ 0.65
1999				
Total revenue	$ 45,148	$ 46,160	$ 46,518	$ 49,431
Net income	$ 20,742	$ 20,592	$ 20,230	$ 24,463
Funds from operations - Basic	$ 25,730	$ 26,362	$ 26,530	$ 27,105
Funds from operations - Diluted	$ 25,730	$ 26,420	$ 26,610	$ 27,105
Net income per common share - Basic	$ 0.49	$ 0.48	$ 0.47	$ 0.58
Net income per common share - Diluted	$ 0.48	$ 0.48	$ 0.47	$ 0.57
Funds from operations per common share - Basic	$ 0.66	$ 0.67	$ 0.68	$ 0.69
Funds from operations per common share - Diluted	$ 0.65	$ 0.66	$ 0.67	$ 0.68

Management

Board of Directors & Corporate Officers

Board of Directors (L-R)

David R. Emery
Chairman of the Board and Chief Executive Officer

Edwin B. Morris III
Managing Director, Morris & Morse Company Inc.

C. Raymond Fernandez M.D.
Chief Executive Officer and Chief Medical Officer, Piedmont Clinic

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

Marliese E. Mooney
Consultant, Hospital Operations

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

J. Knox Singleton
President and Chief Executive Officer, INOVA Health Systems

Fredrick M. Langreck
Senior Vice President, Treasurer

Leigh Ann Stach
Vice President, Financial Reporting and Controller

Michael W. Crisler
Senior Vice President, Technology

Rita H. Todd
Corporate Secretary

Scott W. Holmes
Senior Vice President, Financial Reporting

Timothy G. Wallace
Executive Vice President and Chief Financial Officer

David R. Emery
Chairman of the Board and Chief Executive Officer

Roger O. West
Executive Vice President and General Counsel

J. D. Carter Steele
Senior Vice President, Asset Administration

Keith A. Harville
Vice President, Real Estate Investments

Eric W. Fischer
Vice President, Real Estate Investments

Thomas M. Carnell AIA
Vice President, Design and Construction

Roland H. Hart
President, Healthcare Realty Services

Anne C. Sanborn
Director, Marketing and Strategic Advisory Services

B. Bart Starr
Chairman, Healthcare Realty Services

James P. Tainter
Vice President, Management Services

Corporate INFORMATION

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TRANSFER AGENT

Transfer of Shares
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c/o EquiServe, LP
Investor Services
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Phone: (781) 575-3400
CUSIP #: 421946104
Preferred CUSIP #: 421946203

Web Site: www.equiserve.com

Street Address for Courier Service
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Blue Hills Office Park
Attn: Investor Services
150 Royall Street
Canton, Massachusetts 02021-1031

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, Massachusetts 02021 or call (781) 575-3400.

FORM 10-K

The Company has filed an Annual Report on Form 10-K for the year ended December 31, 2000, 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 700, Nashville, Tennessee 37203. Or, via e-mail: hrinfo@healthcarerealty.com.

COMMON STOCK

Healthcare Realty Trust Incorporated common stock is traded on The New York Stock Exchange under the symbol HR. As of December 31, 2000, there were approximately 1,733 shareholders of record. The following table shows, for the fiscal periods indicated, the quarterly range of high and low closing sales prices of the common stock.

	High	Low
2000		
First Quarter	$ 18.313	$ 15.500
Second Quarter	19.000	15.875
Third Quarter	21.440	17.250
Fourth Quarter	21.250	17.310
1999		
First Quarter	$ 22.813	$ 18.125
Second Quarter	22.125	18.438
Third Quarter	21.875	18.750
Fourth Quarter	19.688	14.688
1998		
First Quarter	$ 29.938	$ 27.375
Second Quarter	28.625	26.938
Third Quarter	28.563	21.688
Fourth Quarter	25.313	21.250
1997		
First Quarter	$ 29.125	$ 26.000
Second Quarter	27.875	25.500
Third Quarter	29.000	27.375
Fourth Quarter	29.875	27.813

ANNUAL SHAREHOLDERS MEETING

The annual meeting of shareholders will be held on May 15, 2001, at 10:00 a.m. at 3310 West End Avenue, 7th Floor, Nashville, Tennessee.