FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
(MARK ONE)
(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

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

For the transition period from .... to ....
Commission file number 1-9321

UNIVERSAL HEALTH REALTY INCOME TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	23-6858580
(State or other jurisdiction of Incorporation or Organization)	(I. R. S. Employer Identification No.)

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (610) 265-0688

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

Number of common shares of beneficial interest outstanding at October 31, 1998 - 8,954,840

UNIVERSAL HEALTH REALTY INCOME TRUST

I N D E X

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PART I. FINANCIAL INFORMATION
UNIVERSAL HEALTH REALTY INCOME TRUST
Condensed Statements of Income
(amounts in thousands, except per share amounts)
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Revenues (Note 2):				
Base rental - UHS facilities	$3,443	$ 3,432	$10,320	$10,298
Base rental - Non-related parties	1,597	1,437	4,749	4,064
Bonus rental	652	617	2,269	2,179
Interest	2	74	6	488
	5,694	5,560	17,344	17,029
EXPENSES:				
Depreciation & amortization	962	961	2,946	2,806
Interest expense	892	702	2,540	2,146
Advisory fees to UHS	291	276	854	819
Other operating expenses	485	357	1,395	1,020
	2,630	2,296	7,735	6,791
Income before equity in limited liability companies	3,064	3,264	9,609	10,238
Equity in income of limited liability companies	407	78	959	312
NET INCOME	$3,471	$ 3,342	$10,568	$10,550
NET INCOME PER SHARE - BASIC	$ 0.39	$ 0.37	$ 1.18	$ 1.18
NET INCOME PER SHARE - DILUTED	$ 0.39	$ 0.37	$ 1.18	$ 1.18
Weighted average number of shares outstanding - basic	8,952	8,952	8,952	8,952
Weighted average number of share equivalents	18	23	21	14
Weighted average number of shares and equivalents outstanding - diluted	8,970	8,975	8,973	8,966

The accompanying notes are an integral part of these financial statements.

UNIVERSAL HEALTH REALTY INCOME TRUST
Condensed Balance Sheets
(amounts in thousands)

ASSETS:	SEPTEMBER 30, 1998 (unaudited)	DECEMBER 31, 1997
REAL ESTATE INVESTMENTS		
Buildings & improvements	$ 142,870	$ 143,600
Accumulated depreciation	(33,065)	(30,280)
	109,805	113,320
Land	21,009	20,255
Reserve for investment losses	(138)	(89)
Net Real Estate Investments	130,676	133,486
OTHER ASSETS:		
Cash	490	1,238
Bonus rent receivable from UHS	650	653
Rent receivable from non-related parties	8	80
Investments in limited liability companies	23,644	11,075
Deferred charges and other assets, net	167	223
	$ 155,635	$ 146,755
LIABILITIES AND SHAREHOLDERS' EQUITY:		
LIABILITIES:		
Bank borrowings	$ 50,800	$ 41,200
Note payable to UHS	1,198	1,147
Accrued interest	322	217
Accrued expenses & other liabilities	1,220	1,130
Tenant reserves, escrows, deposits and prepaid rental	460	268
Minority interest	90	101
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred shares of beneficial interest, $.01 par value; 5,000,000 shares authorized; none outstanding	--	--
Common shares, $.01 par value; 95,000,000 shares authorized; issued and outstanding: 1998 - 8,954,840 1997 - 8,954,840	90	90
Capital in excess of par value	128,668	128,650
Cumulative net income	122,686	112,121
Cumulative dividends	(149,899)	(138,169)
Total Shareholders' Equity	101,545	102,692
	$ 155,635	$ 146,755

See accompanying notes to these condensed financial statements.

UNIVERSAL HEALTH REALTY INCOME TRUST
CONDENSED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS, UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,568	$ 10,550
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	2,946	2,806
Amortization of interest rate cap	93	93
Changes in assets and liabilities:		
Rent receivable	75	(72)
Accrued expenses & other liabilities	90	192
Tenant escrows, deposits & deferred rents	192	9
Accrued interest	105	10
Deferred charges & other	3	(45)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,072	13,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in limited liability companies	(13,329)	(1,926)
Acquisition of real property	(121)	(1,358)
Cash distributions in excess of income from LLCs	760	405
Payments made for construction in progress	--	(2,466)
Advances under construction note receivable	--	(3,535)
Repayments under mortgage note receivable	--	6,457
NET CASH USED IN INVESTING ACTIVITIES	(12,690)	(2,423)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional borrowings	9,600	300
Dividends paid	(11,730)	(11,414)
NET CASH USED IN FINANCING ACTIVITIES	(2,130)	(11,114)
(Decrease) Increase in cash	(748)	6
Cash, beginning of period	1,238	137
CASH, END OF PERIOD	$ 490	$ 143

Supplemental disclosures of cash flow information:		
Interest paid	$ 2,291	$ 1,994

See accompanying notes to these condensed financial statements.

UNIVERSAL HEALTH REALTY INCOME TRUST
NOTES TO CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 1998
(unaudited)

(1) GENERAL

The financial statements included herein have been prepared by the Trust, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Trust, are necessary to fairly present results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Trust believes that the accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 1997. Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

In February 1997, the Financial Accounts Standards Board issued Statement No. 128, "Earnings per Share" (SFAS 128). SFAS 128 establishes standards for computing and presenting earnings per share (EPS). Basic earnings per share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are based on the weighted average number of common shares outstanding during the year adjusted to give effect to common stock equivalents. The per share amounts for the three and nine months ended September 30, 1997 have been restated to conform to SFAS 128.

(2) RELATIONSHIP WITH UNIVERSAL HEALTH SERVICES, INC.

Approximately 72% and 73% for the three month periods ended September 30, 1998 and 1997 and 71% and 72% for the nine month periods ended September 30, 1998 and 1997, respectively, of the Trust's revenues were earned under the terms of the leases with wholly-owned subsidiaries of Universal Health Services, Inc. ("UHS"). UHS has unconditionally guaranteed the obligations of its subsidiaries under the leases. Below is the detailed listing of the revenues received from UHS and other non-related parties for the three and nine months ended September 30, 1998 and 1997:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Base rental - UHS facilities	$3,443,000	$3,432,000	$10,320,000	$10,298,000
Base rental - Non-related parties	1,597,000	1,437,000	4,749,000	4,064,000
Total base rental	5,040,000	4,869,000	$15,069,000	14,362,000
Bonus rental - UHS facilities	652,000	617,000	2,040,000	1,950,000
Bonus rental - Non-related parties	0	0	229,000	229,000
Total bonus rental	652,000	617,000	2,269,000	2,179,000
Interest - Non-related parties	2,000	74,000	6,000	488,000
Total revenues	$5,694,000	$5,560,000	$17,344,000	$17,029,000

At the end of July, 1998, wholly-owned subsidiaries of UHS exercised five-year renewal options on four hospitals owned by the Trust which were scheduled to expire in 1999 through 2001 (Virtue Street Pavilion, The Bridgeway, Inland Valley Regional Medical Center and Wellington Regional Medical Center). The leases on these facilities were renewed at the same lease rates and terms as the initial leases and these renewals remove the majority of the previously disclosed uncertainty regarding the lease renewals with subsidiaries of UHS. As part of the renewal agreement, the Trust also agreed to grant additional fixed rate renewal options to a wholly-owned subsidiary of UHS commencing in 2022 on the real property of McAllen Medical Center. Management of the Trust can not predict whether the leases with subsidiaries of UHS, which have renewal options at existing lease rates, or any of the Trust's other leases, will be renewed at the end of their initial term or first five-year renewal term.

UHS owned approximately 8% percent of the Trust's outstanding shares of beneficial interest as of September 30, 1998. The Trust has granted UHS an option to purchase Trust shares in the future at fair market value to enable UHS to maintain a 5% interest in the Trust. The Trust has no salaried employees and the Trust's officers are all employees of UHS and receive no cash compensation from the Trust. The Trust's officers and directors have received options to purchase shares of beneficial interest and associated dividend equivalent rights pursuant to the terms of a plan which has been unanimously approved by the Trust's Board of Trustees and approved by the shareholders.

(3) DIVIDENDS

A dividend of $.44 per share or $3.9 million in the aggregate was declared by the Board of Trustees on September 2, 1998 and was paid on September 30, 1998 to shareholders of record as of September 16, 1998.

(4) SUBSEQUENT EVENTS

During October 1998, the Trust paid $4.8 million for a 95% interest in a limited liability company that owns the Pacifica Palms Medical Plaza. The Pacifica Palms Medical Plaza is a multi-tenant medical office building located on the campus of the Torrance Memorial Medical Center in Torrance, California.

(5) NEW ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

Statement 133 is effective as of the beginning of fiscal years beginning after June 15, 1999. A company may also implement the Statement as of the beginning of any fiscal quarter after the issuance. Statement 133 cannot be applied retroactively. Statement 133 must be applied to: (a) derivative instruments, and; (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantially modified after December 31, 1997 (and at the company's election, before January 1, 1998).

The Trust has not yet quantified the impact of adopting Statement 133 on its financial statements and has not determined the timing of or method of adoption of Statement 133. However, the Statement could increase the volatility in earnings and other comprehensive income.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Trust has investments in twenty-nine facilities located in thirteen states. The Trust invests in healthcare and human service related facilities including acute care hospitals, behavioral healthcare facilities, rehabilitation hospitals, sub-acute care facilities, surgery centers, child-care centers and medical office buildings.

The third quarter dividend of $.44 per share or $3.9 million in the aggregate was paid on September 30, 1998.

For the quarters ended September 30, 1998 and 1997, net income totaled $3,471,000 and $3,342,000 or $.39 and $.37 per share (basic and diluted), on net revenues of $5,694,000 and $5,560,000, respectively. For the nine months ended September 30, 1998 and 1997, net income totaled $10,568,000 and $10,550,000 or $1.18 per share (basic and diluted), for both nine month periods on net revenues of $17,344,000 and $17,029,000, respectively. The $134,000 increase in net revenues during the 1998 third quarter as compared to the 1997 quarter was due primarily to a $160,000 increase in base rentals from non-related parties, and a $35,000 increase in bonus rental from UHS facilities, partially offset by a $72,000 decrease in interest income due to the repayment of a construction loan receivable in December, 1997. The $315,000 increase in net revenue for the nine months ended September 30, 1998, over the comparable prior year period, was due primarily to a $685,000 increase in base rentals from non-related parties (due primarily to the completion of the Cypresswood Professional Center), and a $90,000 increase in bonus rental income from UHS facilities. These favorable changes were partially offset by a $482,000 decrease in interest income due to a mortgage loan receivable which was fully repaid in June, 1997 and a construction loan receivable which was repaid in December, 1997.

Interest expense increased $190,000 or 27% for the three months ended September 30, 1998 and increased $394,000 or 18% for the nine months ended September 30, 1998, as compared to the comparable prior year periods. The increases in interest expense are due primarily to increased borrowings used to finance two new investments in the first quarter of 1998, and the opening of the newly constructed Cypresswood Professional Center during the third quarter of 1997.

Depreciation and amortization expense was unchanged for the three months ended September 30, 1998 compared to the comparable prior year period, and increased $140,000 or 5% for the nine months ended September 30, 1998 over the comparable prior year periods due primarily to the opening of the newly constructed Cypresswood Professional Center during the third quarter of 1997.

Other operating expenses increased $128,000 or 36% during the third quarter of 1998 and increased $375,000 or 37% during the 1998 nine month period as compared to the comparable prior year periods. Included in the Trust's other operating expenses were the expenses related to the medical office buildings in which the Trust has a controlling ownership interest which totaled $269,000 and $196,000 for the three month periods ended September 30, 1998 and 1997, respectively, and $731,000 and $569,000 for the nine month periods ended September 30, 1998 and 1997, respectively. The $73,000 increase for the three months ended September 30, 1998 and the $162,000 increase for the nine months ended September 30, 1998 was due primarily to the operating expenses on the Cypresswood Professional Center on which construction was completed during the third quarter of 1997. The majority of the expenses associated with the medical office buildings are passed on directly to the tenants and are included as revenues in the Trust's statements of income. Also included in the Trust's other operating expenses were $75,000 and $40,000 for the three months ended September 30, 1998 and 1997, respectively, and $225,000 and $120,000 for the nine months ended September 30, 1998 and 1997, respectively, of expenses related to the maintenance of Lake Shore Hospital.

Included in the Trust's financial results was $407,000 and $78,000 for the three months ended September 30, 1998 and 1997 and $959,000 and $312,000 for the nine months ended September 30, 1998 and 1997, respectively, of income generated from the Trust's ownership in limited liability companies which own medical office buildings in Arizona, Kentucky and Nevada.

Funds from operations ("FFO"), which is the sum of net income plus depreciation expense for consolidated investments and unconsolidated investments and amortization of interest rate cap expense, increased 8% to $4.9 million for the three months ended September 30, 1998, as compared to $4.6 million in the comparable prior year quarter. For the nine months ended September 30, 1998, FFO increased 4% to $14.7 million as compared to $14.1 million for the nine month period ended September 30, 1997. FFO may not be calculated in the same manner for all companies, and accordingly, FFO as presented above may not be comparable to similarly titled measures by other companies. FFO does not represent cash flows from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of the Trust's operating performance or to cash flows as a measure of liquidity.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $14.1 million for the nine months ended September 30, 1998 and $13.5 million for the nine months ended September 30, 1997.

During the first nine months of 1998, the $14.1 million of cash generated from operating activities, the $760,000 of cash distributions in excess of income from LLCs and the $9.6 million of additional borrowings were used primarily to: (i) purchase a 99% interest in a limited liability company that owns the Desert Springs Medical Plaza located in Las Vegas, Nevada ($9.4 million); (ii) purchase a 95% equity interest in a limited liability company that owns the Edwards Medical Plaza in Phoenix, Arizona ($3.8 million), and; (iii) pay dividends ($11.7 million).

During the first nine months of 1997, the $13.5 million of cash generated from operating activities and the $6.5 million of cash received for the repayment under a mortgage note receivable was primarily used to: (i) pay dividends ($11.4 million); (ii) finance construction on two new medical office buildings which are owned by limited liability companies and limited partnerships in which the Trust owns an equity interest ($6.0 million); (iii) purchase a 75% equity interest in a limited liability company ($1.9 million), and; (iv) acquire additional properties ($1.4 million).

As of September 30, 1998, the Trust had approximately $26 million of unused borrowing capacity under the terms of its $80 million revolving credit agreement. The agreement matures on June 24, 2003, at which time all amounts then outstanding are required to be repaid. During the term of the agreement, the Trust has the option to request an increase in the borrowing capacity to $100 million.

YEAR 2000 ISSUE

Management of the Trust recognizes the need to evaluate the impact on its operations of the change to calendar year 2000 and does not expect the total cost of required building related modifications to have a material impact on its results of operations. Approximately 71% and 72% of the Trust's revenues for the nine month periods ended September 30, 1998 and 1997, respectively, were earned under the terms of the leases with wholly-owned subsidiaries of UHS. UHS has undertaken steps to identify areas of concern and potential remedies, prioritize needs, estimate costs and begin work either to repair or replace data processing software & hardware, certain building infrastructure components (including elevators, alarm systems and certain HVAC systems) and certain computer aided medical equipment affected by Year 2000 issues. The solutions either involve replacement or repair of affected software, hardware and equipment. Some replacement or upgrade of systems and equipment would take place in the normal course of business. Several systems, key to UHS's operations, have been scheduled to be replaced through vendor supplied systems before Year 2000. UHS presently believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose material operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material adverse impact on the operations of UHS and on UHS's ability to meet its obligations under the terms of its leases with the Trust.

Furthermore, UHS relies heavily on third parties in operating its business. UHS is relying on software, hardware (including the Company's major outsourcing vendor which provides the financial and clinical applications for the majority of UHS's acute care facilities), and other equipment vendors to verify Year 2000 compliance of their products. UHS also depends on: fiscal intermediaries which process claims and make payments for the Medicare program; health maintenance organizations, insurance companies and other private payors; vendors of medical supplies and pharmaceuticals used in patient care, and; providers of utilities such as electricity, water, natural gas and telephone services. As part of its Year 2000 strategy, UHS intends to seek assurances from these parties that their services and products will not be interrupted or malfunction due to the Year 2000 issue. Failure of third parties to resolve their Year 2000 issues could have a material adverse effect on UHS's results of operations and on its ability to provide health care services and on UHS's ability to meet its obligations to the Trust.

During the third quarter of 1998, the Trust conducted a Year 2000 survey of its non-related tenants and based on the responses received, these tenants do not expect Year 2000 related issues to have a material impact on their operations. However, management of the Trust cannot estimate the potential adverse impact on the Trust's results of operations resulting from failure of its UHS or non-related party tenants or from their significant suppliers and large payors to adequately prepare for the Year 2000.

FORWARD-LOOKING STATEMENTS

The matters discussed in this report, as well as the news releases issued from time to time by the Trust, include certain statements containing the words "believes", "anticipates", "intends", "expects", and words of similar import, which constitute "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Trust's or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: the fact that a substantial portion of the Trust's revenues are dependent on one operator, Universal Health Services, Inc., ("UHS"); a substantial portion of the Trust's leases are involved in the healthcare industry which is undergoing substantial changes and is subject to pressure from government reimbursement programs and other third party payors; the Trust's ability to finance growth on favorable terms; the impact of Year 2000 issues, and; other factors referenced in the Trust's 1997 10-K or herein. In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. In addition, the healthcare industry has been characterized in recent years by increased competition and consolidation. Management of the Trust is unable to predict the effect, if any, these industry factors will have on the operating results of its lessees, including the facilities leased to subsidiaries of UHS, or on their ability to meet their obligations under the terms of their leases with the Trust. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Trust disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

PART II. OTHER INFORMATION
UNIVERSAL HEALTH REALTY INCOME TRUST

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Amendment No.1 to Lease, made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), and Inland Valley Regional Medical Center, Inc., a California Corporation ("Lessee"), amends the lease, made as of December 24, 1986, between Lessor and Lessee.

10.2 Amendment No. 1 to Lease, made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), and McAllen Medical Center, L.P. (f/k/a Universal Health Services of McAllen, Inc.), a Texas Limited Partnership ("Lessee"), amends the lease, made as of December 24, 1986, between Lessor and Lessee.

27. Financial Data Schedule

All other items of this report are inapplicable.

Signatures

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

Date: November 11, 1998

UNIVERSAL HEALTH REALTY INCOME TRUST
(Registrant)

/s/ Kirk E. Gorman

Kirk E. Gorman, President,
Chief Financial Officer, Secretary and Trustee

(Principal Financial Officer and Duly Authorized Officer.)

EXHIBIT 10.1

AMENDMENT NO. 1

TO

LEASE

This Amendment No. 1 to Lease ("Amendment No. 1"), made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), having its principal office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406, and Inland Valley Regional Medical Center, Inc., a California corporation ("Lessee"), which is a subsidiary of Universal Health Services, Inc., a Delaware corporation, amends the Lease, made as of December 24, 1986, between Lessor and Lessee (the "Lease"). Capitalized terms used herein which are not otherwise defined shall have the meanings assigned to such terms in the Lease.

W I T N E S S E T H:

WHEREAS, the Lessor desires to make certain improvements to the Leased Property, as described in Exhibit 1 attached hereto, which improvements constitute a Capital Addition pursuant the Master Lease;

WHEREAS, the Lessor and the Lessee desire to amend the Lease as it relates to the rights and obligations of the parties with respect to such Capital Addition upon expiration or earlier termination of the Lease;

NOW, THEREFORE, the parties hereto agree as follows:

1. There shall be added to the Lease a new Paragraph 10, which shall read as follows:

> "10. Certain Capital Additions. Notwithstanding any provision in the Master Lease or this Lease to the contrary, Lessor shall not be obligated to compensate Lessee pursuant to Section 10.2(c) of the Master Lease for any costs incurred by Lessee with respect to the improvements described in Exhibit 1 attached hereto."

2. Except as expressly modified by this Amendment No. 1, all terms and conditions of the Lease shall remain in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized partners, trustees or officers as of the date first above written.

LESSOR:

Universal Health Realty Income Trust,
a Maryland real estate investment trust

By: /s/ Cheryl K. Ramagano

LESSEE:

Inland Valley Regional
Medical Center, Inc.,
a California corporation

By: /s/ Steve Filton

EXHIBIT 10.2

AMENDMENT NO. 1

TO

LEASE

This Amendment No. 1 to Lease ("Amendment No. 1"), made as of July 31, 1998, between Universal Health Realty Income Trust, a Maryland real estate investment trust ("Lessor"), having its principal office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406, and McAllen Medical Center, L.P. (f/k/a Universal Health Services of McAllen, Inc.), a Texas Limited Partnership ("Lessee"), which is a subsidiary of Universal Health Services, Inc., a Delaware corporation, amends the Lease, made as of December 24, 1986, between Lessor and Lessee (the "Lease"). Capitalized terms used herein which are not otherwise defined shall have the meanings assigned to such terms in the Lease.

W I T N E S S E T H:

WHEREAS, the Lessor and the Lessee desire to amend the amount of rent to be paid during certain of the Extended Terms referred to in the Lease;

NOW, THEREFORE, the parties hereto agree as follows:

1. Paragraph 6 of the Lease is hereby amended to read in its entirety as follows:

> "6. Minimum Rent During Extended Terms. The Minimum Rent for the six (6) Extended Terms shall be at the rental provided for in Paragraph 5 hereof."

2. Except as expressly modified by this Amendment No. 1, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized partners, trustees or officers as of the date first above written.

LESSOR:

Universal Health Realty Income Trust,
a Maryland real estate investment trust

By: /s/ Cheryl K. Ramagano

LESSEE:

McAllen Medical Center, L.P.
(f/k/a Universal Health Services of
McAllen, Inc.), a Texas
Limited Partnership

By: /s/ Steve Filton

5
0000798783
UNIVERSAL HEALTH REALTY INCOME TRUST
U.S. DOLLARS

9-MOS
DEC-31-1998
JAN-01-1998
SEP-30-1998
1
490
0
5,658
5,138
0
0
163,879
33,065
155,635
0
51,998
0
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101,455
155,635
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18,303
0
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2,946
0
2,540
10,568
0
10,568
0
0
0
10,568
1.18
1.18