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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 March 31, 2003

OR

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

For the transition period from __________ to __________

Commission file number 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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

Number of common shares of beneficial interest outstanding at April 30, 2003 – 11,708,398

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UNIVERSAL HEALTH REALTY INCOME TRUST

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Part I. Financial Information
Universal Health Realty Income Trust
Consolidated Statements of Income
(amounts in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2003	**2002**
Revenues (Note 2):		
Base rental - UHS facilities	$ 3,253	$ 3,253
Base rental, tenant reimbursements and other - Non-related parties	2,732	2,880
Bonus rental - UHS facilities	1,208	993
	7,193	7,126
Expenses:		
Depreciation and amortization	1,112	1,109
Interest expense	585	621
Advisory fees to UHS	350	343
Other operating expenses	827	826
Loss (gain) on derivatives	35	(12)
	2,909	2,887
Income before equity in limited liability companies (“LLCs”)	4,284	4,239
Equity in income of LLCs (including gain on sale of real property of $365 in 2003 and $1,179 in 2002)	1,386	2,039
Net Income	$ 5,670	$ 6,278
Net Income per share - Basic	$ 0.48	$ 0.54
Net Income per share - Diluted	$ 0.48	$ 0.53
Weighted average number of shares outstanding - Basic	11,700	11,679
Weighted average number of share equivalents	65	57
Weighted average number of shares and equivalents outstanding - Diluted	11,765	11,736

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

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Universal Health Realty Income Trust
Consolidated Balance Sheets
(dollar amounts in thousands)
(unaudited)

	March 31, 2003	December 31, 2002
Assets:		
Real Estate Investments:		
Buildings and improvements	$ 160,024	$ 159,767
Accumulated depreciation	(48,909)	(47,810)
	111,115	111,957
Land	22,929	22,929
Net Real Estate Investments	134,044	134,886
Investments in limited liability companies (“LLCs”)	48,448	48,314
Other Assets:		
Cash	537	598
Bonus rent receivable from UHS	1,213	1,101
Rent receivable from non-related parties	136	137
Deferred charges and other assets, net	182	81
	$ 184,560	$ 185,117
Liabilities and Shareholders’ Equity:		
Liabilities:		
Bank borrowings	$ 29,768	$ 30,493
Accrued interest	273	282
Accrued expenses and other liabilities	1,703	1,761
Fair value of derivative instrument	3,124	3,233
Tenant reserves, escrows, deposits and prepaid rents	434	446
Minority interest	43	40
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: 2003 - 11,707,858; 2002 - 11,698,163	117	117
Capital in excess of par value	184,988	184,772
Cumulative net income	202,328	196,658
Accumulated other comprehensive loss	(2,890)	(3,033)
Cumulative dividends	(235,328)	(229,652)
Total Shareholders’ Equity	149,215	148,862
	$ 184,560	$ 185,117

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Universal Health Realty Income Trust
Consolidated Statements of Cash Flows
(amounts in thousands, unaudited)

	Three months ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	$ 5,670	$ 6,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	1,112	1,109
Loss (gain) on derivatives	35	(12)
Changes in assets and liabilities:		
Rent receivable	(111)	(93)
Accrued expenses & other liabilities	(59)	(172)
Tenant escrows, deposits & prepaid rents	(12)	114
Accrued interest	(9)	(8)
Other, net	5	15
Net cash provided by operating activities	6,631	7,231
Cash flows from investing activities:		
Investments in limited liability companies (“LLCs”)	(570)	(979)
Cash distributions in excess of income from LLCs	436	1,963
Advances received from LLC’s, net	0	175
Acquisitions and additions to land and buildings	(257)	(11)
Net cash (used in) provided by investing activities	(391)	1,148
Cash flows from financing activities:		
Net repayments on revolving credit facility	(701)	(3,101)
Repayments of mortgage notes payable	(24)	(23)
Dividends paid	(5,676)	(5,548)
Issuance of shares of beneficial interest	100	132
Net cash used in financing activities	(6,301)	(8,540)
Decrease in cash	(61)	(161)
Cash, beginning of period	598	629
Cash, end of period	$ 537	$ 468
Supplemental disclosures of cash flow information:		
Interest paid	$ 594	$ 629

See accompanying notes to these condensed financial statements.

UNIVERSAL HEALTH REALTY INCOME TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003
(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 normal and recurring 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, 2002.

In this Quarterly Report on Form 10-Q, the term "revenues" does not include the revenues of the unconsolidated limited liability companies in which the Trust has various non-controlling equity interests ranging from 33% to 99%. The Trust accounts for its share of the income/loss from these investments by the equity method.

(2) Relationship with Universal Health Services, Inc.

UHS of Delaware, Inc. (the "Advisor"), a wholly-owned subsidiary of UHS, serves as Advisor to the Trust under an Advisory Agreement dated December 24, 1986 between the Advisor and the Trust (the "Advisory Agreement"). The Advisory Agreement expires on December 31 of each year, however, it is renewable by the Trust, subject to a determination by the Trustees who are unaffiliated with UHS, that the Advisor's performance has been satisfactory. The Advisory Agreement may be terminated for any reason upon sixty days written notice by the Trust or the Advisor. The Advisory Agreement has been renewed for 2003. The Advisory Agreement provides that the Advisor is entitled to receive an annual advisory fee equal to .60% of the average invested real estate assets of the Trust, as derived from its consolidated balance sheet from time to time. The Advisory fee is payable quarterly, subject to adjustment at year end based upon audited financial statements of the Trust. The Trust has no salaried employees and the Trust's officers are all employees of UHS of Delaware, Inc. Advisory fees paid to UHS amounted to $350,000 and $343,000 for the three month periods ended March 31, 2003 and 2002, respectively.

During the first three months of 2003 and 2002, approximately 62% and 60%, respectively, of the Trust's consolidated 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. Pursuant to the terms of its leases with subsidiaries of UHS, the Trust earns fixed monthly base rents plus bonus rents based upon each facility's net patient revenue in excess of base amounts. The bonus rents are computed and paid on a quarterly basis based upon a computation that compares current quarter revenue to the corresponding quarter in the base year.

The lease with Chalmette Medical Center, a subsidiary of UHS, was scheduled to expire in March, 2003. During the third quarter of 2002, the lessee gave the Trust the required notice to exercise its renewal option and extend the lease for another five-year term. In accordance with the terms of the lease, the renewal rate was based upon the five year Treasury rate on March 29, 2003 plus a spread and based upon the Treasury rate on that date, the annual base rental on this facility will be reduced by approximately $270,000.

UHS owned approximately 6.6% percent of the Trust's outstanding shares of beneficial interest as of March 31, 2003. 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.

(3) Dividends

A dividend of $.485 per share or $5.7 million in the aggregate was declared by the Board of Trustees on March 3, 2003 and was paid on March 31, 2003 to shareholders of record as of March 17, 2003.

(4) Financial Instruments

Cash Flow Hedges
During the three month periods ended March 31, 2003 and 2002, the Trust recorded in accumulated other comprehensive income ("AOCI"), income of $144,000 and $454,000, respectively, to recognize the change in fair value of the effective portion of all derivatives that are designated as cash flow hedging instruments. The income will be reclassified into earnings as the underlying hedged item affects earnings, such as when the forecasted interest payments occur. Assuming market rates remain unchanged from March 31, 2003, it is expected that approximately $1.6 million of net losses in AOCI will be reclassified into earnings within the next twelve months. The Trust also recorded a (loss)/income of ($35,000) and $12,000 for the three month periods ended March 31, 2003 and 2002, respectively, in current earnings to recognize the ineffective portion of the cash flow hedging instruments. The maximum amount of time over which the Trust is hedging its exposure to the variability in future cash flows for forecasted transactions is through November, 2006.

(5) New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". The Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The asset retirement obligations will be capitalized as part of the carrying amount of the long-lived asset. The Statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal operation of long-lived assets. This Statement, which became effective for the Trust on January 1, 2003, did not have a material effect on the Trust's financial statements.

In April, 2002, the FASB issued SFAS No. 145, which rescinds SFAS No. 4 "Reporting Gains and Losses from Extinguishment of Debt", SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers, and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund

Requirements" (SFAS 145). SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases" to eliminate an inconsistency between the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement was adopted by the Trust on January 1, 2003 and did not have a material effect on the Trust's financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The Statement generally requires that a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. The Statement is effective for all exit or disposal activities initiated after December 31, 2002, and did not have a material effect on the Trust's financial statements.

In November 2002, the FASB issued Interpretation No.45, "Guarantor's Accounting and Disclosure Requirements for Guarantees; including Guarantees of Indebtedness of Others." This interpretation requires that a liability must be recognized at the inception of a guarantee issued or modified after December 31, 2002 whether or not payment under the guarantee is probable. For guarantees entered into prior to December 31, 2002, the interpretation requires certain information related to the guarantees be disclosed in the guarantor's financial statements. This provision did not have a material effect on the Trust's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements, if applicable.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities", an interpretation of ARB No. 51. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created or obtained after January 31, 2003. The provisions of this Interpretation will be applicable to the Trust for all its existing entities beginning in the third quarter of 2003.

Upon application of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", the Trust believes that certain of its LLC investments may meet the criteria of a variable interest entity and it is reasonably possible that the Trust will be required to consolidate certain LLCs.

The results of operations, and the assets, liabilities and equity of any such LLCs would be included in the consolidated financial statements of the Trust, with a minority interest reflected for the portion of the LLCs held by other members. As the Trust has not yet determined which LLCs will meet the criteria of variable interest entities, Management is unable to determine the impact on the Trust's balance sheet. If the Trust is required to consolidate any of the LLCs, there would be no impact on the Trust's net income.

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(6) Acquisitions and Dispositions

During the first quarter of 2003, the Trust received $365,000 of cash for its share of the proceeds generated from the sale of the assets of the Palo Verde Medical Center located in Phoenix, Arizona. This transaction resulted in a $365,000 book gain for the Trust during the three month period ended March 31, 2003 (included in equity in income of limited liability companies) since the carrying-value of this investment was reduced to zero in a prior year.

(7) Comprehensive Income

Comprehensive income (loss) represents net income (loss) plus the results of certain non-shareowners' equity changes not reflected in the Consolidated Statements of Income. The components of comprehensive income (loss) are as follows (amounts in thousands):

	Three Months Ended March 31,	
	2003	2002
Net income	$ 5,670	$ 6,278
Other comprehensive income:		
Adjustment for losses reclassified into income	460	350
Unrealized derivative gains /(losses) on cash flow hedges	(316)	104
Comprehensive income	$ 5,814	$ 6,732

(8) Stock-Based Compensation

At March 31, 2003, the Trust has two stock-based compensation plans. The Trust accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No compensation cost is reflected in net income for most stock option grants, as all options granted under the plan had an original exercise price equal to the market value of the underlying shares on the date of grant. The following table illustrates the effect on net income and earnings per share if the Trust had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation. The Trust recognizes compensation cost related to restricted share awards over the respective vesting periods. As of March 31, 2003 there were no unvested restricted share awards outstanding.

	Three Months Ended March 31,	
	2003	**2002**
	(in thousands, except per share data)	
Net income	**$ 5,670**	$ 6,278
Add: total stock-based compensation expenses included in net income:	**50**	49
Deduct: total stock-based employee compensation expenses determined under fair value based methods for all awards:	**(60)**	(62)
Pro forma net income	**$ 5,660**	$ 6,265
Basic earnings per share, as reported	**$ 0.48**	$ 0.54
Basic earnings per share, pro forma	**$ 0.48**	$ 0.54
Diluted earnings per share, as reported	**$ 0.48**	$ 0.53
Diluted earnings per share, pro forma	**$ 0.48**	$ 0.53

(9) Summarized Financial Information of Equity Affiliates

The consolidated financial statements of the Trust include the consolidated accounts of its controlled investments. In accordance with the American Institute of Certified Public Accountants' Statement of Position 78-9 "Accounting for Investments in Real Estate Ventures" and Emerging Issues Task Force Issue 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights", the Trust accounts for its investment in LLCs which it does not control using the equity method of accounting. These investments, which represent 33% to 99% non-controlling ownership interests, are recorded initially at the Trust's cost and subsequently adjusted for the Trust's share of equity in the net income, cash contributions and distributions of the investments. See Note 5 to the Consolidated Financial Statements regarding FASB Interpretation No. 46,

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"Consolidation of Variable Interest Entities", and interpretation of ARB No. 51, for additional disclosure.

Since inception through March 31, 2003, the Trust made total initial cash investments of $57.1 million in LLCs, in which the Trust owns various non-controlling equity interests. Including the cumulative adjustments for the Trust's share of equity in the net income of the LLCs and cash contributions and distributions of the investments, the Trust's net investments in these LLC's was $48.4 million as of March 31, 2003. On a combined basis these LLCs generated revenues of $7.9 million and $7.4 million during the three month periods ended March 31, 2003 and 2002, respectively, and net income of $1.3 million (excluding the LLC's $643,000 gain on sale of property) and $1.0 million (excluding the LLC's $1.3 million gain on sale of property) during the three month periods ended March 31, 2003 and 2002, respectively. Also on a combined basis, as of March 31, 2003 and December 31, 2002 these LLCs had total assets of $182.6 million and $182.9 million, respectively, and third-party financing that is non-recourse to the Trust of $127.0 million as of March 31, 2003 and $128.7 million as of December 31, 2002.

During the first quarter of 2003, the Trust received $365,000 of cash for its share of the proceeds generated from the sale of the assets of the Palo Verde Medical Center located in Phoenix, Arizona. This transaction resulted in a $365,000 book gain for the Trust during the three month period ended March 31, 2003 since the carrying-value of this investment was reduced to zero in a prior year. During the first quarter of 2002, the Trust received $2.6 million of cash for its share of the proceeds generated from the sale of the real estate assets of Samaritan West Valley Medical Center located in Goodyear, Arizona. This transaction resulted in a book gain for the Trust of $1.2 million which is included in the Trust's results of operations for the three month period ended March 31, 2002. This sale completed the like-kind exchange transaction whereby the LLC, in which the Trust owns an 89% non-controlling equity interest, acquired the real estate assets during 2001 of Papago Medical Park located in Phoenix, Arizona in exchange for cash and real estate assets of Samaritan West Valley Medical Center located in Goodyear, Arizona.

As of March 31, 2003, the Trust has investments in twenty limited liability companies ("LLCs") accounted for by the equity method. The following tables represent summarized financial information related to these LLCs:

Name of LLC	Ownership	Property Owned by LLC
DSMB Properties	76%	Desert Samaritan Hospital MOBs
DVMC Properties	95%	Desert Valley Medical Center
Parkvale Properties	60%	Maryvale Hospital MOBs
Suburban Properties	33%	Suburban Medical Plaza II
Litchvan Investments (a.)	89%	Papago Medical Park
Paseo Medical Properties II	75%	Thunderbird Paseo Medical Plaza I& II
Willetta Medical Properties	95%	Edwards Medical Plaza
DesMed (b.)	99%	Desert Springs Medical Plaza
PacPal Investments	95%	Pacifica Palms Medical Plaza
RioMed Investments	80%	Rio Rancho Medical Center
West Highland Holdings	48%	St. Jude Heritage Health Complex
Santa Fe Scottsdale	95%	Santa Fe Professional Plaza
Bayway Properties	75%	East Mesa Medical Center
653 Town Center Drive (b.)	98%	Summerlin Hospital MOB
575 Hardy Investors	73%	Centinela Medical Building Complex
653 Town Center Phase II (b.)	98%	Summerlin Hospital MOB II
23560 Madison	95%	Skypark Professional Medical Building
Brunswick Associates	74%	Mid Coast Hospital MOB
Deerval Properties (c.)	90%	Deer Valley Medical Office II
PCH Medical Properties (d.)	85%	Rosenberg Children's Medical Plaza

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(a.) As a result of a like-kind exchange transaction, Litchvan Investments acquired the real estate assets of Papago Medical Park located in Phoenix, Arizona in exchange for cash and the real estate assets of Samaritan West Valley Medical Center located in Goodyear, Arizona.

(b.) Tenants of this medical office building include a subsidiary of UHS.

(c.) As of March 31, 2003, Trust has invested $3.2 million in the Deer Valley Medical Office II, a newly constructed building which was opened during the third quarter of 2002. The Trust has committed to invest a total of $3.4 million.

(d.) The Trust has committed to invest a total of $2.8 million in exchange for a 85% non-controlling interest in a LLC that constructed and owns the Rosenberg Children's Medical Plaza, a medical office building in Phoenix, Arizona, which was opened in February, 2003. As of March 31, 2003, the Trust invested $770,000 in this project.

	March 31, 2003	December 31, 2002
	(amounts in thousands)	
Net property	$ 170,364	$ 169,636
Other assets	12,209	13,266
Liabilities	6,070	5,129
Third-party debt	127,029	128,658
Equity	49,474	49,115
UHT's share of equity	48,448	48,314

As of March 31, 2003, these LLCs had approximately $127 million of debt, which is non-recourse to the Trust, payable to third-party lending institutions.

	Three Months Ended March 31,	
	2003	2002
	(amounts in thousands)	
Revenues	$ 7,884	$ 7,453
Operating expenses	3,041	2,891
Depreciation & amortization	1,357	1,374
Interest, net	2,230	2,190
Net income before gain	1,256	998
Gain on disposal	643	1,346
Net income	$ 1,899	$ 2,344
UHT's share of net income before gain on disposal	$ 1,021	$ 860
UHT's share of gain on disposal	365	1,179
UHT's share of net income	$ 1,386	$ 2,039

(10) Segment Reporting

The Trust's primary segment is leasing of healthcare and human service facilities, and all revenues from external customers related to the same segment. Additionally, the Trust may, from time to time, loan funds to external parties. Operating results and assessment of performance are reviewed by the chief operating decision-maker on a company-wide basis and no discrete financial information is available or produced on any one component of the business. Accordingly, the disclosure requirements of SFAS 131 are not relevant to the Trust.

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

Forward-Looking Statements and Certain Risk Factors

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 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 of Delaware, Inc., a wholly-owned subsidiary of UHS,: a substantial portion of the Trust's revenues are dependent on one operator, Universal Health Services, Inc., ("UHS"); UHS of Delaware, Inc., a wholly-owned subsidiary of UHS, is Advisor to the Trust and the Trust's officers are all employees of the Advisor which may create the potential for conflicts of interest; a substantial portion of the Trust's leases are involved in the healthcare industry which is undergoing substantial changes and is subject to possible changes in the levels and terms of reimbursement from third-party payors and government reimbursement programs, including Medicare and Medicaid; the Trust's ability to finance its growth on favorable terms, including the Trust's ability to refinance on acceptable terms, its credit facility which expires in June, 2003; liability and other claims asserted against the Trust or operators of the Trust's facilities; the fact that the Trust has majority ownership interests in various LLCs in which it holds non-controlling equity interests, and other factors referenced in the Trust's 2002 Form 10-K.

A large portion of the Trust's non-hospital properties consist of medical office buildings which are either directly or indirectly affected by the factors discussed above as well as general real estate factors such as the supply and demand of office space and market rental rates. Additionally, the operators of the Trust's facilities, including UHS, are confronted with other issues such as: industry capacity; demographic changes; existing laws and government regulations and changes in or failure to comply with laws and governmental regulations; the ability to enter into managed care provider agreements on acceptable terms; competition; the loss of significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for healthcare; and the ability to attract and retain qualified personnel, including physicians. In addition, operators of the Trust's facilities, particularly UHS, have experienced a significant increase in property insurance (including earthquake insurance in California) and general and professional liability insurance. As a result, certain operators have assumed a greater portion of their liability risk and there can be no assurance that a continuation of these unfavorable trends, or a sharp increase in claims asserted against the operators of the Trust's facilities, which are self-insured, will not have a material adverse effect on their future results of operations.

In order to qualify as a real estate investment trust ("REIT") the Trust must comply with certain highly technical and complex requirements. Although the Trust intends to remain so qualified, there may be facts and circumstances beyond the Trust's control that may affect the Trust's ability to qualify as a REIT. Failure to qualify as a REIT may subject the Trust to income tax liabilities, including federal income tax at regular corporate rates. The additional income tax incurred may significantly reduce the cash flow available for distribution to shareholders and for debt service. In addition, if disqualified, the Trust might be barred from qualification as a REIT for four years following disqualification. Although the Trust believes it has been qualified as a REIT since its inception, there can be no assurance that the Trust has been so qualified or will remain qualified in the future.

Management of the Trust is unable to predict the effect, if any, these factors will have on the operating results of its lessees, including the facilities leased to subsidiaries of UHS. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. Management of 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.

Results of Operations

The Trust commenced operations on December 24, 1986. As of March 31, 2003, the Trust had investments or commitments in forty-two facilities located in fifteen 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 term "revenues" referred to herein does not include the revenues of the unconsolidated limited liability companies in which the Trust has various non-controlling equity interests ranging from 33% to 99%. The Trust accounts for its share of the income/loss from these investments by the equity method.

The third quarter dividend of $.485 per share or $5.7 million in the aggregate was paid on March 31, 2003.

For the quarters ended March 31, 2003 and 2002, net income totaled $5.7 million and $6.3 million or $.48 and $.53 per share (diluted), on net revenues of $7.2 million and $7.1 million, respectively. Included in the net income per diluted share for the three month period ended March 31, 2003 is a gain of $365,000, or $.03 per diluted share, recorded on the sale of Palo Verde Medical Center, a medical office building located in Phoenix, Arizona. The building was owned by Parkvale Properties, LLC, a limited liability company in which the Trust holds a non-controlling ownership interest. Included in the net income per diluted share for the three month period ended March 31, 2002 is a gain of $1.2 million, or $.10 per diluted share, recorded on the sale of Samaritan West Valley Medical Center in Goodyear, Arizona.

The $67,000 increase in net revenue during the three month period ended March 31, 2003, as compared to the comparable 2002 period was due primarily to a $215,000 increase in bonus rental revenue from UHS facilities, offset by a decrease in base rental, tenant reimbursements and other from non-related parties of $148,000.

Interest expense decreased 6% or $36,000 during the three month period ended March 31, 2003 as compared to the comparable prior year quarter. The reduction in interest expense was due primarily to a reduction in the average outstanding borrowings during the first quarter of 2003 as compared to the same period in the prior year.

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 $667,000 and $632,000 for the three month periods ended March 31, 2003 and 2002, respectively. A portion of the expenses associated with the medical office buildings are passed on directly to the tenants, which reimburse the Trust, and therefore are included as revenues in the Trust's statements of income.

Included in the Trust's financial results was income generated from the Trust's ownership in limited liability companies which own medical office buildings in Arizona, California, Kentucky, New Mexico, Nevada and Maine (see Note 9 to the Consolidated Financial Statements) amounting to $1.0 million (excluding a $365,000 gain on sale of real property) and $860,000 (excluding a $1.2 million gain on a LLC's sale of real property) for the three months ended March 31, 2003 and 2002, respectively.

Funds from operations ("FFO"), is a widely recognized measure of REIT performance. Although FFO is a non-GAAP financial measure, the Trust believes that information regarding FFO is helpful to shareholders and potential investors. The Trust computes FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which may not be comparable to FFO reported by other REITs that do not compute FFO in accordance with the NAREIT definition, or that interpret the NAREIT definition differently than the Trust. NAREIT defines FFO as net income (computed in accordance with generally accepted accounting principles), excluding gains (losses) on sales of property, plus depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect funds from operations on the same basis. The GAAP measure that the Trust believes to be most directly comparable to FFO, net income, includes depreciation and amortization expenses and gains or losses on property sales. In computing FFO, the Trust eliminates substantially all of these items because, in the Trust's view, they are not indicative of the results from the Trust's property operations. To facilitate a clear understanding of the Trust's historical operating results, FFO should be examined in conjunction with net income, determined in accordance with GAAP, as presented in the financial statements included elsewhere in this Quarterly Report on Form 10-Q. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income, determined in accordance with GAAP, as an indication of the Trust's financial performance or to be an alternative to cash flow from operating activities, determined in accordance with GAAP, as a measure of the Trust's liquidity, nor is it indicative of funds available for the Trust's cash needs, including its ability to make cash distributions to shareholders. FFO increased 4% to $7.4 million for the three months ended March 31, 2003 as compared to $7.1 million in the comparable prior year quarter.

	Three Months Ended March 31,	
	2003	**2002**
Net income	$ 5,670	$ 6,278
Depreciation expense:		
Consolidated investments	1,099	1,096
Unconsolidated affiliates	986	900
Gain on LLC's sale of real property	(365)	(1,179)
Funds from operations (FFO)	$ 7,390	$ 7,095

General

Since the majority of the Trust's income is derived from lease payments on acute care services hospitals and medical office buildings, the Trust is substantially dependent on such things as healthcare regulations and reimbursement to healthcare facilities since these factors, among other things, affect the lease payments to the Trust and the underlying property values. A significant portion of the revenues from the Trust's hospital facilities are derived from the Medicare and Medicaid programs as well as managed care plans which include health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs"). Generally, the Trust's hospital facilities continue to experience an increase in revenues attributable to managed care payors as pressures to control healthcare costs, as well as a shift away from traditional Medicare to Medicare managed care plans, have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans. Typically, the Trust's hospital facilities receive lower payments per patient from managed care payors than from traditional indemnity insurers. However, during the past few years, many of the Trust's acute care hospital facilities secured price increases from many of its commercial payors including managed care companies. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Trust's facilities vary among the markets in which the Trust's facilities operate.

Outpatient treatment and diagnostic facilities, outpatient surgical centers and freestanding ambulatory surgical centers also impact the healthcare marketplace. Many of the Trust's facilities continue to experience an increase in outpatient revenues which is primarily the result of advances in medical technologies and pharmaceutical improvements, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, HMOs, PPOs and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis. The hospital industry in the United States, as well as the Trust's hospital facilities, continue to have significant unused capacity which has created substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required, pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. The Trust expects its hospital facilities to continue to experience increased competition and admission constraints.

The federal government makes payments to participating acute care hospitals under its Medicare program based on various formulas. The operators of the Trust's general acute care hospitals are subject to a prospective payment system ("PPS"). For inpatient services, PPS pays acute care hospitals a predetermined amount per diagnostic related group ("DRG"), for which payment amounts are adjusted to account for geographic wage differences. Beginning August 1, 2000 under an outpatient prospective payment system ("OPPS") mandated by the Balanced Budget Act of 1997 ("BBA-97"), general acute care hospitals are paid for outpatient services included in the OPPS according to ambulatory procedure codes ("APC") which group together services that are comparable both clinically and with respect to the use of resources. The payment for each item or service is determined by the APC to which it is assigned. The APC payment rates are calculated on a national basis and adjusted to account for certain geographic wage differences. The Medicare, Medicaid and SCHIP Balanced Budget Refinement Act of 1999 ("BBRA of 1999") included "transitional corridor payments" through fiscal year 2003, which provide some financial relief for any hospital that generally incurs a reduction to its Medicare outpatient reimbursement under the new OPPS.

In addition to the trends described above that continue to have an impact on the operating results of the Trust's hospital facilities, there are a number of other more general factors affecting the operators of the Trust's acute care hospital facilities. BBA-97 called for the government to trim the growth of federal spending on Medicare by $115 billion and on Medicaid by $13 billion over the ensuing 5 years. This enacted legislation also called for reductions in the future rate of increases to payments made to hospitals and reduced the amount of payments for outpatient services, bad debt expense and capital costs. Some of these reductions were temporarily reversed with the passage of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 ("BIPA") which, among other things, increased Medicare and Medicaid payments to healthcare providers by $35 billion over the ensuing 5 years with approximately $12 billion of this amount targeted for hospitals and $11 billion for managed care payors. However, many of the payment reductions reversed by Congress in BIPA are expiring. In addition, without further Congressional action, in fiscal year 2003 hospitals will receive less than a full market basket inflation adjustment for services paid under the inpatient PPS (inpatient PPS update of the market basket minus 0.55 percentage points is estimated to equal 2.95% in fiscal year 2003), although CMS estimates that for the same time period, Medicare payment rates under OPPS will increase, for each service, by an average of 3.7%. In February, 2003, the federal fiscal year 2003 omnibus spending federal legislation was signed into law. This legislation includes approximately $800 million in increased spending for hospitals. More specifically, $300 million of this amount is targeted for rural and certain urban hospitals effective for the period of April, 2003 through September, 2003. One of the Trust's hospital facilities is eligible for and is expected to receive the increased Medicare reimbursement resulting from this legislation, however, the impact is not expected to have a material effect on the future results of operations of the facility.

The Trust can provide no assurance that the above mentioned factors will not adversely affect the operators of the Trust's facilities. However, within certain limits, a hospital can manage its costs, and, to the extent this is done effectively, a hospital may benefit from the DRG system. However, many hospital operating costs are incurred in order to satisfy licensing laws, standards of the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO") and quality of care concerns. In addition, hospital costs are affected by the level of patient acuity, occupancy rates and local physician practice patterns, including length of stay, judgments and number and type of tests and procedures ordered. A hospital's ability to control or influence these factors which affect costs is, in many cases, limited.

A large portion of the Trust's non-hospital properties consist of medical office buildings which are located either close to or on the campuses of hospital facilities. These properties are either directly or indirectly affected by the factors discussed above as well as general real estate factors such as the supply and demand of office space and market rental rates.

The Trust anticipates investing in additional healthcare related facilities and leasing the facilities to qualified operators, perhaps including UHS and subsidiaries of UHS.

Liquidity and Capital Resources

Net cash provided by operating activities was $6.6 million for the three months ended March 31, 2003 and $7.2 million for the three months ended March 31, 2002. The $600,000 net unfavorable change during the first three months of 2003 as compared to the comparable prior year period was primarily attributable to a $558,000 unfavorable change in net income plus or minus the non-cash adjustments (depreciation and amortization and gain (loss) on derivatives). Net income includes $365,000 and $1.2 million of gains on sale of real property for the three months ended March 31, 2003 and 2002, respectively. Bonus rental revenues from UHS facilities increased $215,000 for the quarter ended March 31, 2003 as compared to the prior year comparable quarter.

During the three month periods ended March 31, 2003 and 2002, the Trust spent $257,000 and $11,000, respectively, for capital additions at its facilities. Also, during the three month periods ended March 31, 2003 and 2002, the Trust invested $570,000 and $804,000 (net of $175,000 of repaid advances), respectively, in LLCs in which it owns non-controlling equity interests.

During the quarters ended March 31, 2003 and 2002, the Trust received $436,000 and $2.0 million (including $1.3 million of proceeds related to sale of real property), respectively, of distributions in excess of net income from the LLCs in which it holds various non-controlling equity interests.

The Trust paid dividends of $5.7 million during the three month period ended March 31, 2003 and $5.5 million during the three month period ended March 31, 2002. The Trust also made net debt repayments of $725,000 and $3.1 million during the three month periods ended March 31, 2003 and 2002, respectively.

As of March 31, 2003, the Trust had approximately $70 million of unused borrowing capacity under the terms of its $100 million revolving credit agreement, net of $5 million of letters of credit outstanding against the agreement. The book value of amounts borrowed approximates fair market value. The agreement expires on June 24, 2003, at which time all amounts then outstanding are required to be repaid. Management is in the process of replacing its existing credit agreement with a new $80 million revolving credit agreement. The Trust has received $80 million of commitments from lending institutions, subject to completion of satisfactory documentation. The Trust expects the new revolving credit facility to provide for interest at variable rates and to have a maturity date in May of 2007.

Additional funds may be obtained either through refinancing the existing revolving credit agreement and/or the issuance of long-term securities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the quantitative and qualitative disclosures in 2003. Reference is made to Item 7 in the Annual Report on Form 10-K for the year ended December 31, 2002.

Item 4. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in this filing.

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out this evaluation.

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PART II. OTHER INFORMATION
UNIVERSAL HEALTH REALTY INCOME TRUST

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

99.1 Certification from the Trust's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.2 Certification from the Trust's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

1) Report on Form 8-K dated February 14, 2003, reported under Item 5, Other Events, that the Trust issued a press release announcing the appointments of Alan B. Miller as President and Charles Boyle as Chief Financial Officer.

2) Report on Form 8-K dated February 18, 2003, reported under Item 9, Regulations FD Disclosure, that the Trust issued a press release releasing copies of written communications from Kirk Gorman to KPMG referred to in the Trust's press release dated February 13, 2003.

11. Statement re computation of per share earnings is set forth on page 3, the Trust's Consolidated Statements of Income.

All other items of this Report are inapplicable.

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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: May 12, 2003

UNIVERSAL HEALTH REALTY INCOME TRUST

(Registrant)

/s/ ALAN B. MILLER

Alan B. Miller, Chairman of the Board,
Chief Executive Officer and President

/s/ CHARLES F. BOYLE

Charles F. Boyle, Vice President,
Chief Financial Officer and
Controller
(Principal Financial Officer and Duly
Authorized Officer.)

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CERTIFICATION-Chief Executive Officer

I, Alan B. Miller, certify that:

1. I have reviewed this quarerly report on Form 10-Q of Universal Health Realty Income Trust;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of trustees (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ ALAN B. MILLER

President and Chief Executive Officer

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CERTIFICATION-Chief Financial Officer

I, Charles F. Boyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Health Realty Income Trust;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of trustees (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ CHARLES F. BOYLE

Vice President and Chief Financial Officer

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Universal Health Realty Income Trust (the “Trust”) on Form 10-Q for the quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alan B. Miller, President and Chief Executive Officer of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Trust.

/s/ ALAN B. MILLER

Alan B. Miller
President and Chief Executive Officer
May 12, 2003

A signed original of this written statement required by Section 906 has been provided to the Trust and will be retained and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Universal Health Realty Income Trust (the "Trust") on Form 10-Q for the quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles F. Boyle, Chief Financial Officer of the Trust, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Trust.

/s/ CHARLES F. BOYLE

Charles F. Boyle
Vice President and
Chief Financial Officer

May 12, 2003

A signed original of this written statement required by Section 906 has been provided to the Trust and will be retained and furnished to the Securities and Exchange Commission or its staff upon request.